صحكنا من الاجل

FINANCIAL TIMES

World Business Newspaper http://www.FT.com

TUESDAY JUNE 16 1998

Asia crisis
The lessons to be learnt
Martin Wolf, Page 17

Chainsaw Al
He was not in business to be liked
Page 16

Microsoft
Managing the nuts and bolts
Page 12

Saudi Arabia
Shrugging off the oil price slide
Page 7

WORLD NEWS

UN weapons chief hopeful over end to oil embargo on Iraq later this year

Richard Butler, chief UN weapons inspector, hopes to tell the UN security council in October that Iraq has fulfilled its disarmament obligations, opening the way for a possible end to the oil embargo. He said yesterday: "The light at the end of the tunnel is today more visible than it has been for a long time." Page 18

Nigeria frees political prisoners
Nigeria's military government freed General Olusegun Obasanjo and eight other prominent political prisoners. A statement made no mention of Nigeria's most prominent detainee, Moshood Abiola. Page 7

Russia to halve force
Russia's interior ministry forces are to be halved from 250,000 as part of a drive for reform of the army and security establishment. Page 2

Turks find suspected missile parts
Turkish customs officials searching a Maltese-flagged ship found launch ramps they suspected were parts of a Russian missile system bound for Cyprus. Page 2

Hungary allows far-right party
Hungary's Constitutional Court ruled that the far-right Hungarian Justice and Life Party has the right to form a group in the new parliament. Page 2

Saudis face cash flow crisis
Saudi Arabia will face its fourth cash flow crisis in 10 years if the price for its crude does not recover to $13 a barrel. Page 9

UN to debate world criminal court
A United Nations conference to set up an International Criminal Court that would try cases of genocide and crimes against humanity opened in Rome. Page 9; Kofi Annan, Page 16

UK lead on greenhouse gases
Britain will today seek tougher greenhouse gas emission curbs for itself and some of the poorest members of the European Union in order to salvage the Kyoto protocol on climate change. Page 11

France drops means test measure
The French government has decided to remove controversial means testing on family allowances that was introduced as an economy measure in this year's budget. Page 2

Poll gives Democrats little chance
A new poll showed little prospect of Democrats recapturing control of the US House of Representatives, which they lost in 1994.

Chemicals in toys ruling deferred
The European Commission has again postponed a decision on banning certain chemicals contained in children's toys, as scientists continue to study the potential health implications. Page 9

African enemies welcome US plan
Eritrea and Ethiopia welcomed a US proposal to institute an immediate ban on air strikes in their border war.

Brazil to prosecute candidate
Brazil's attorney general is to prosecute an opposition candidate who said privatisation proceeds would be used by President Fernando Henrique Cardoso to finance his re-election campaign.

Bangladeshi fans threaten city
Angry at frequent power cuts during the televising of World Cup soccer matches, angry fans have called a strike to shut down the Bangladeshi city of Chittagong. World cup coverage, Page 14

BUSINESS NEWS

Axel Springer no longer interested in making offer for UK's Mirror Group

Axel Springer said it was not pursuing an offer for UK newspaper company Mirror Group. The German publishing house was not prepared to meet the price Mirror Group wanted. Springer is now likely to consider other targets in the UK market. Page 19; Lex, Page 18

Deutsche Terminbörse, Germany's derivatives exchange, is "seriously considering" a plan to launch a rival contract to the UK gilt future on the London International Financial Futures and Options Exchange. Page 19

AMP shares were launched on the Australian stock exchange. Australia's biggest insurer opened at a 125 per cent premium to their A$16 base price. The close of $23 valued the group at A$24.7bn. Page 19

Sunbeam, the US toaster and grill company, forced its cost-cutter chief Al Dunlap outand now faces a battle over severance pay. A contract signed in February guarantees his $2m-a-year salary until 2001. Page 19; Lex, Page 18; Chain saw massacre, Page 16

Crédit Lyonnais has chosen Schroders from among seven merchant banks to advise on its privatisation. The French bank's float is due before October next year. Page 24

Eni, the Italian energy group, is considering taking a stake in Russia's Gazprom and may go ahead with a share buy-back programme, chief executive Franco Bernabe said. Page 24

Japanese public institutions' lending to small companies rose by an annualised 25 per cent to over Y4,000bn ($29bn) in four months to the end of March. Page 4

Telecom Italia is expected to recreate the post of chief executive and dilute the power of chairman Gian Mario Rossignolo. Former chief executive Tomaso Tommasi di Vignano quit in February because of a clash over Mr Rossignolo's powers and the post was quickly abolished. Page 24

Minnesota Manufacturing & Mining shares fell about 5 per cent after the US manufacturing group warned second-quarter earnings would be lower than a year ago. Page 21

Tate & Lyle, the UK sweeteners group, is looking for ways to to stem losses at its south China sugar mills, which have been squeezed by higher cane costs and a falling price for ex-factory sugar. Page 22

Pohang Iron & Steel, South Korea's largest steelmaker, is to cut production for the first time because of sluggish sales. The group plans to reduce steel production by 1.7m tonnes to 24.7m tonnes. Page 22

Hong Kong stock exchange aims to recover its world ranking with growth plans that include tripling current market capitalisation to HK$6,000bn ($774bn), attracting more China-related listings and establishing debt and derivatives products. Page 4

Euro Prices
A comprehensive statistical guide to the new euro currency zone, covering foreign-exchange, bond and equity markets. Page 33

Japan seeks help for yen as currency hits eight-year low

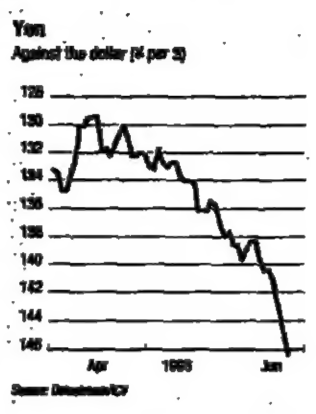
By Gillian Tett in Tokyo

Japan has appealed for concerted global intervention to support the yen, which yesterday weakened against the dollar to an eight-year low of Y146.2.

Koji Tanami, vice-finance minister, said: "We need to take decisive action against an excessive weakening of the yen in co-operation with other nations." His comments reflect increasing irritation in Tokyo over Washington's apparent reluctance to halt the slide in the yen.

Last week Robert Rubin, US Treasury secretary, said intervention would only be a "temporary tool" to boost the yen and that the currency's weakness could only be remedied by stimulating Japan's economy.

The slump in the yen is provoking criticism from other Asian leaders angry with Japan's failure to announce new measures to tackle the crisis. Singaporean officials yesterday met Taku Yamasaki, policy chief of the ruling Liberal Democratic party, to express their unease. The Chinese media have also called for decisive action. In Hong Kong, market interest rates surged yesterday, driving the stock market down almost 6 per cent to a three-year low, as the falling yen fuelled fears for the territory's exchange rate peg to the US dollar.



Meanwhile, European Union leaders expressed concern about the state of the Japanese economy. Tony Blair, UK prime minister, opened yesterday's summit of EU leaders in Cardiff, Wales, with a warning that the Asian crisis was the greatest threat to the world economy in 20 years.

Mr Blair said: "Our economies will not emerge from this turmoil without being affected by it, and we have to decide how to react."

Japan faces parliamentary elections next month and the likelihood of action seems remote before the poll on July 12. The decline yesterday was partly triggered by Moody's, the US credit rating agency, downgrading some of Japan's large construction companies to junk bond status, indicating they could pose a bankruptcy risk.

The yen was also weakened by worse-than-expected data on gross domestic product, published Friday. Sentiment was also undermined by news that the government's Economic Planning Agency had revised the April industrial production data down from a monthly decline of 1.1 per cent to 1.6 per cent.

The government was yesterday given some comfort after figures showed that the politically controversial current account surplus grew to Y1,170bn ($8.4bn) in April, only 10.3 per cent higher than in April 1997, a slower rise than many economists had expected. This largely reflected the impact of slower exports to Asia and rising import prices.

Meanwhile, data from Teikoku, a research group, show the value of bankruptcies in May surged by an annual growth rate of 55.5 per cent, the worst figure for May since the second world war.

Banks' bad debts, Page 4
Editorial Comment, Ins and outs, Page 17; Power structure, Page 2
Currencies, Page 35
World stocks, Page 46

Refugees cross the border into Albania yesterday to escape fighting between Serb forces and separatist guerrillas in the Serbian-ruled province of Kosovo. Although Nato aircraft put on a show of military might over the southern Balkans, Yugoslavian president Slobodan Milosevic gave little sign he was ready to end his crackdown on the separatists. Page 18 Picture: Reuters

EU agrees to examine balance of power

Summit will consider devolving some responsibilities

By Lionel Barber and Robert Peston in Cardiff

The backlash against the concentration of power in Brussels last night gained ground after Britain, France and Germany won agreement in principle for a special summit this autumn to examine the issue.

The summit will consider how to strengthen the legitimacy of the EU's institutions, almost certainly by devolving some responsibilities to national parliaments and governments.

Tony Blair, UK prime minister and host of the present EU summit in Cardiff, Wales, is likely to hail the October meeting as proof that the process of political and economic integration in Europe has reached its limits.

"We don't want a grand European super-state. We want a group of members better able to co-operate," he said yesterday.

Helmut Kohl, the German chancellor, who is trailing badly in the polls ahead of this September's general election in Germany, will also use the Cardiff communiqué as a weapon to silence Euro-sceptics in his right-wing coalition.

However, on the opening day of the summit, the European Commission, supported by smaller countries, launched a counter-attack against what one senior Commission official described as the "new populism" in France and Germany.

Jacques Santer, president of the Brussels-based Commission, challenged Jacques Chirac, the French president, after Mr Chirac complained about the Brussels competition authorities' intervention to make more World Cup tickets available to football fans outside France.

Mr Santer said the Commission was merely carrying out its responsibilities to enforce EU competition law.

The informal summit in mid-October in Austria under the incoming Austrian presidency is expected to back a German proposal for a review of all recent EU legislation and regulations to assess their necessity.

EU leaders will appoint personal representatives to assess how "subsidiarity" – the principle agreed in 1992 that decisions should be devolved to the lowest appropriate level – is working in practice.

The review is separate from the commitment to wrap up the unfinished business of last year's Amsterdam treaty. That includes the extension of majority voting and the reduction in the size of the Commission.

The Cardiff summit is expected today to offer some comfort to Mr Kohl's campaign for a better budget deal. Although most countries oppose Bonn's call for an improvement in its "net contribution", they are willing to concede the principle that Germany is entitled to greater financial aid to its regions, especially former East Germany.

Farmers' beef protest, Page 2
Observer, Page 17

Goldman Sachs to speed expansion

By Tracy Corrigan and William Lewis in New York

Goldman Sachs, the US investment bank, plans to use its new structure as a public company to speed up expansion plans through organic growth and acquisitions.

Confirming yesterday that Goldman, the last remaining Wall Street partnership, is preparing an initial public offering of between 10 and 15 per cent of the firm in the autumn, Hank Paulson, co-chairman and co-chief executive officer, said "the clear impetus was the opportunities we saw to reinvest and grow our core businesses".

In an interview with the Financial Times, Jon Corzine and Mr Paulson, who jointly run the firm, said they planned to increase staffing by 20 per cent this year from 11,000 worldwide at the end of 1997. It has already reached 11,500. That growth rate is likely to persist in the medium term, they said.

Mr Corzine said that the firm intended to remain independent and ruled out merging with another financial services group.

Specifically, he ruled out merging with or acquiring a retail brokerage, confirming Goldman's longtime insistence that it does not want to add a retail distribution network in the way that Morgan Stanley, a rival investment bank, did when it merged with Dean Witter, a brokerage, last year.

Furthermore, Mr Corzine said that the decision to float had not been influenced by the recent spate of mega-mergers in the financial services industry. "We do not feel second best," he said.

However, Mr Corzine said that the firm might use its publicly-traded stock to make smaller acquisitions in businesses which would provide stable earnings such as asset management and private client services.

Late on Sunday, Goldman's six-strong executive committee unanimously agreed to move forward with an initial public offering, after a majority of the firm's 190 partners expressed their approval at a weekend meeting.

No formal vote was taken but partners will vote on a detailed plan later in the summer. Goldman declined to give further details but analysts' estimates suggest that the total value of the firm will be $25bn to $30bn, implying an IPO of up to $4.5bn. Mr Corzine said that flotation was also intended to secure the long-term stability of the firm, and its capital base.

He conceded that the partnership structure may be over-stretched by the size of the business.

Editorial Comment, Page 17
Reports, Page 20

WORLD MARKETS

STOCK MARKET INDICES		
New York: Lunchtime		
Dow Jones Ind Av	8721.84	(-113.10)
NASDAQ Composite	1729.36	(-15.87)
Europe and Far East		
CAC40	4005.35	(-45.43)
DAX	5527.32	(-143.51)
FTSE 100	5715.7	(-54.1)
Nikkei	14,825 17	(-197.16)
US Lunchtime RATES		
Federal Funds	5.75%	
3-mth Treas Bills: Yld	5.110%	
Long Bond	107$\frac{3}{8}$	
Yield	5.622%	
OTHER RATES		
UK: 3-mo Interbank	7$\frac{3}{4}$%	(same)
UK: 10 yr Gilt	111.875	(111.820)
France: 10 yr OAT	105.33	(105.24)
Germany: 10 yr Bund	109.00	(108.89)
Japan: 10 yr JGB	112.12	(111.88)
NORTH SEA OIL (Argus)		
Brent Dated	$10.685	(11.35)

GOLD		
New York Comex	$284.6	(285.3)
London	$285.25	(288.05)
EXCHANGE RATES		
Dollar		
New York: Lunchtime		
£	1.6322	
DM	1.81415	
FFr	6.085	
SFr	1.51025	
Y	146.60	
London		
£	1.6353	(1.6340)
DM	1.8132	(1.8044)
FFr	6.0785	(6.0505)
SFr	1.51	(1.4959)
Y	146.33	(144.205)
Tokyo Close		Y 144.85
Sterling		
DM	2.965	(2.9434)

CONTENTS

Full contents and Lex back page

WORLD NEWS

EUROPE

UK tones down its plea over Turkey

By David Buchan in Cardiff

The British government, faced with opposition from Greece, yesterday was scaling back its proposals for the European Union to give Turkey a better deal.

As holder of the rotating EU presidency, the UK has been touting proposals to class Turkey as a candidate for EU membership, associating it with the 11 central and east European applicant countries. It has also tried to find a new source of money, safe from a Greek veto, that would help Turkey prepare its economy for membership one day.

One draft of its proposals, prepared before the EU's Cardiff summit which opened yesterday, suggested up to Ecu50m ($55.5m) a year for Turkey. This was less than the annual Ecu 75m payment under a five-year EU-Turkish financial protocol Greece has long prevented being paid to Ankara.

By yesterday, Britain had dropped the idea of trying to get the EU summit to commit itself to new money, and was only pressing for language in today's final communiqué that would mention "the 12 countries actively pursuing their candidatures". This would be the first official designation of Turkey as a candidate. At their Luxembourg summit last December, the EU described Turkey as "eligible" for EU membership, but the 11 other applicants as "candidates".

Ankara took exception, demanding Brussels give it the same semantic treatment as the east Europeans. The UK said it was simply trying to demystify the word "candidate". It argued that any country considered eligible and which has lodged an application for membership, as Turkey did in 1987 – ahead of any east European country – must be regarded as a candidate without any prejudging of its chances of eventual entry.

A European Commission official commented: "The dynamic of the EU is that any time you try to alter a consensus already reached, as in Luxembourg, you end up weakening instead of strengthening it."

The damage Turkish ministers did themselves by boycotting a planned EU-Turkish Association Council in May was apparent yesterday in the reaction of German officials. "We support the UK presidency's attempt to describe Turkey as a candidate, because it clearly is one. But we do not think it should be put in the same category as the 11 other candidates, because in terms of meeting the membership criteria it clearly is not," said one official.

He added that if the Turks were going to refuse to turn up to EU meetings, "why should we go running after them?"

Nato's Kosovo move irks Russia

By John Thornhill in Moscow

Russia raised strong objections yesterday to Nato's show of military might in the southern Balkans as Slobodan Milosevic, the Yugoslav president, arrived in Moscow for discussions about the mounting tension in Kosovo.

General Igor Sergeyev, Russia's defence minister, lashed out at his Nato counterparts, alleging they had failed to inform him of yesterday's air exercises during his visit last week to the alliance's headquarters in Brussels.

"We discussed the problem of Kosovo in detail. Everyone agreed that we must first of all resolve it by political means," he told the Interfax news agency.

"But as soon as I arrive in Moscow I learn about the beginning of the exercises.

"This was unexpected for me. As a soldier, I value honesty in people. I cannot understand why they dealt with me in this way."

Gen Sergeyev's rebuke reflected a widely held sense of bitterness in Moscow that the western powers have marginalised Russia during the latest Balkans dispute.

Russian diplomats privately accuse the US of ignoring their views while their country remains dependent on support from international financial institutions.

President Boris Yeltsin has repeatedly stressed his opposition to a military solution to the Balkans crisis and has resisted attempts to impose economic sanctions on Belgrade.

At the same time he is expected to advise Mr Milosevic against provocative actions that could serve as a justification for Nato to use force in the region. Russian diplomats were yesterday damping expectations of what the two sides might agree today.

The Clinton administration forcefully rejected Moscow's accusations of lack of consultation and said it had been at great pains to take Russian views into account.

President Bill Clinton was due to speak to Mr Yeltsin yesterday about the Russian leader's talks with Mr Milosevic.

Earlier in the day, General Henry Shelton, chairman of the US joint chiefs of staff, consulted Gen Sergeyev about the situation in Kosovo, while William Cohen, US defence secretary, rebuffed Moscow's claim that it had not been consulted about the air exercises.

"It should come as no surprise to anyone that they occurred today," he said.

Blair starts to score some EU goals

By Robert Peston, Political Editor

A minority of hooligans have done untold damage to the reputation of the UK in Europe, which Tony Blair is desperately trying to repair.

The prime minister's condemnation yesterday of British football thugs in Marseilles could equally well have been directed at UK Eurosceptics. Their well publicised anti-European rhetoric has hampered his attempts during a semester as EU president to "rebrand" the UK as a Europe-loving nation.

But as Britain's presidency draws to a close at the summit taking place in Cardiff, there are the faintest signs that the UK is beginning to win some important arguments on the EU's future.

One reason is that Mr Blair, after months of dithering, is beginning to show more courage in giving his backing to the creation of a European single currency.

He opened the government heads' debate on economic reform yesterday morning by saying monetary union was the "first step" towards creating the conditions in Europe for "a long period of [economic] expansion."

The euro's launch would "help generate stability and growth" and its success was "crucial to high levels of growth and employment".

A year ago, in the run-up and aftermath of the British general election, Mr Blair would not have dared to make such a positive Emu assessment. Other government heads are now persuaded that Mr Blair intends to participate in Emu around 2002 or 2003, although his remarks yesterday begged the question of why he wants to delay until then.

"I am confident sterling will be in three years from now," said a continental finance minister.

But at the same time as Mr Blair is becoming flirtatious over Emu, France and Germany are tilting towards what one senior UK official eagerly interpreted as a British-style approach to EU reform.

Helmut Kohl, the German chancellor, told Mr Blair in a private meeting last week that the time had come for a thorough review of how the EU makes its decisions. Using business-speak of a kind favoured by the British premier, Mr Kohl said that the EU was launching an "important new product", the euro, and it was therefore in the interest of the company, the EU, that "all its other products should be reviewed".

The implication was that there were certain things the EU was doing which were superfluous. "It was music to our ears," said the UK official. "It is the sort of thing that British governments have felt for years. But it was impossible for us to say, because we would have been accused of rabid anti-Europeanism."

Mr Kohl fleshed out a newly discovered enthusiasm for putting limits on the ability of the EU, particularly its executive Commission, to intrude on individual countries' responsibilities in a joint open letter written with Jacques Chirac, the French president.

They described themselves as enthusiastic proponents of subsidiarity, or the notion – much favoured by Mr Blair's predecessor, John Major – that EU members should act collectively only when the net benefits to all members are demonstrable.

Helmut Kohl (left) with Tony Blair yesterday in Cardiff Reuters

Messrs Blair, Kohl and Chirac persuaded all their colleagues yesterday to climb aboard the subsidiarity bandwagon, as a first step to reinforcing the "legitimacy" of Europe's institutions.

Mr Kohl and Mr Blair will doubtless tell their respective electorates that the high tide of European centralisation has now been passed, pointing to an agreement that there should be an informal summit in Vienna this October to discuss how to increase popular support for the EU.

Their conviction is that for the first time in the history of the EU such a gathering will lead to the EU doing less. Such a development will not go unopposed. But for Mr Blair, the importance of yesterday's meeting is that he has forged a potentially important alliance with France and Germany.

"Blair may not yet be the giant bestriding the continent which he wishes to be," said a Commission official. "But at least the UK is now fighting a battle which it could actually win."

'Victory' for farmers in Cardiff protest

British farmers last night claimed victory in their bid to embarrass European Union leaders at the Cardiff summit after two separate protests against the EU beef ban, writes Juliette Jowit.

Fifty protesters travelled from England to the Welsh capital to jeer Tony Blair, UK prime minister and holder of the rotating EU presidency, as he arrived for the two-day summit.

In west Wales, police had to intervene to break up an overnight blockade at the port of Fishguard.

The action was organised by farmers disappointed that a 10,000-strong demonstration on Sunday failed to attract attention because none of the 15 heads of EU states had arrived.

Lawrence Harries, one protester, said: "We are leaving the blockade in honour. We have made our point: we are desperate. This was the final fling to the Euro summit to order an immediate lifting of the beef ban and allow us free access to European markets."

In Cardiff, however, Mr Blair's spokesman denied any embarrassment over the action. "He's sympathetic to the farmers and supports legitimate peaceful protest. However, he does not support anything that prevents the free movement of goods and services." Twenty lorries which arrived from the Irish port of Rosslare were trapped at Fishguard.

MEPs' benefits under attack

The generous benefits enjoyed by European Parliament members came under renewed criticism yesterday at the EU's Cardiff summit, writes Neil Buckley.

Officials said seven out of nine interventions by heads of government during a meeting with Jose Maria Gil-Robles, the parliament's president, were connected with MEPs' benefits and expenses. Goran Persson, Swedish prime minister, said generous perks enjoyed by MEPs served to heighten perceptions of the gap between ordinary people and EU institutions.

The Danish prime minister, Poul Nyrup Rasmussen, has also criticised the level of MEPs' allowances.

But Mr Gil-Robles insisted that the issue of MEPs' benefits and expenses could not be properly addressed until the pay of MEPs was equalised. MEPs earn the same as members of their national parliaments, which leads to disparities in the pay of MEPs from different states.

BENEFITS REVERSAL CHANGE OF HEART ON ALLOWANCES CURB FOLLOWS OPPOSITION WITHIN COALITION

France to end family means testing

By Robert Graham in Paris

The French government has decided to remove controversial means testing on family allowances that was introduced as an economy measure in this year's budget.

The change of heart follows considerable opposition within the government coalition and a broader reassessment of how the Socialist-led administration should treat the state's relationship with the family.

Means testing was unpopular among the left and family associations, which argued in favour of restoring the principle of universality of allowances for all those with children.

The cost of the turnaround, plus extra housing and schooling assistance for those on low incomes, will be only partly offset by an overhaul of the system of tax allowances for children. This will penalise the better-off.

The net cost will be some FFr3bn ($496m) a year, but the government is justifying this because the deficit for family support measures in the social security will fall to FFr1.8bn next year from FFr12.8bn.

Almost 500,000 people will lose part or all of their tax breaks available for having children under the age of 20. The government is confident that only a few families will receive less than under the current system of means testing.

The reform will add, albeit marginally, to fiscal pressure at a time when the finance ministry is seeking to stabilise or reduce the tax burden.

Lionel Jospin, French prime minister, with Martine Aubry, employment minister, in Paris earlier this year

Paris prepares for shake-up at EdF

By Robert Graham

France's Socialist-led government is preparing to shake up the top management of EdF, the state electricity monopoly, to end a damaging clash of personalities between the chairman, Edmond Alphandéry, and the chief executive, Pierre Daurès.

All efforts at mediation over the past two months have failed, and the government is understood to be ready to replace Mr Alphandéry to prevent the conflict having a further paralysing effect. It is also possible Mr Daurès will be removed.

The row within EDF is the most serious management dispute in a large state enterprise for a long time, and in recent months it has been increasingly conducted in public. The government has been obliged to act because important policy decisions are being held up ahead of next year's liberalisation of the European Union's energy market.

Mr Alphandéry, finance minister in a former conservative government headed by Edouard Balladur, was named chairman in 1995 in an overt political appointment. An outsider to the energy business, he has tried to impose his own style of management on a big and varied empire.

Matters started going wrong in September 1996 when Mr Alphandéry sought to replace the two most senior EdF officials, including Mr Duarès, to introduce a more modern "house culture". Those who know the former finance minister say his action was more than justified, but admit it was clumsily handled.

EDF staff said regulations prevented Mr Alphandéry from assuming full powers, including control over nuclear energy, about which he knew little, they claimed. Lobbying of ministers prevented the changes, and Mr Alphandéry's move was seen within EdF as a "failed coup d'etat".

Since then, there has been more or less open warfare, which led in March to the five EdF divisional directors seeking the intervention of Dominique Strauss-Kahn, the finance minister with responsibility for industry.

Their secret initiative, in the form of a letter, was leaked. This led 57 of the 58 senior staff at EdF to sign a petition backing Mr Duarès, effectively passing a no confidence vote against the chairman. A summons to the two men to explain themselves by Mr Strauss-Kahn failed to impose a working relationship.

The choice of a replacement will be critical, since EdF is believed to be behind other large EU electricity companies in preparing for liberalisation next year.

Uncomfortable choices also lie ahead about slimming down EdF's 116,000-strong workforce and trimming some privileges. The utility's pension bill in 1997 was more than FFr12bn ($2bn) and mounting fast.

Other strategic choices are the degree to which EdF should invest outside France, diversification and nuclear strategy. EdF is currently committed to spending FFr4bn a year over the next four years on overseas investments. But it is also considering entering telecoms to offset potential loss of electricity revenue in France as a result of increased competition. After Enel, the Italian state electricity company, was awarded a mobile telephone licence as part of a consortium 10 days ago in Italy, EdF believes a precedent has been set.

Finally, the future of the large French nuclear industry was thrown into question last year by the government's freeze on new projects and the closure of the also SuperPhénix reactor.

EdF has a strong nuclear lobby and the utility has huge responsibilities in maintaining the safety of existing plant.

FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. The shareholder of the Financial Times (Europe) GmbH is Pearson Overseas Holdings Limited, 3 Burlington Gardens, London, W1X 1LE. Shareholder of this company is Pearson plc, registered at the same address.
GERMANY:
Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg. ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Bradley P Johnson. Telephone +46 8 791 2345. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
R

NEWS DIGEST

GERMAN COALITION

FDP leader seeks to stifle internal party divisions

Wolfgang Gerhardt, leader of Germany's small Free Democrat party, acted yesterday to stifle internal divisions by declaring he would seek the party's early backing for a continued coalition in Bonn with its present partners after the September 27 general election.

After a meeting of the FDP leadership, Mr Gerhardt said he would ask a party congress in Leipzig later this month to support a promise to renew the coalition with the Christian Democratic Union of Chancellor Helmut Kohl and the Christian Social Union, its Bavarian sister party.

Signs of splits within the FDP recently emerged when Guido Westerwelle, the party's general secretary, called on Mr Kohl to step down before completing a full term in office should he win the election and for the FDP to prepare for the "post-Kohl era". These remarks prompted Jürgen Möllemann, FDP leader in North Rhine-Westphalia, to advocate a coalition with the opposition Social Democratic party instead.

Mr Gerhardt said yesterday that he wanted clarity before the summer holiday. The FDP had planned to chose its coalition partner in August. It is expected Mr Gerhardt's plan will be backed by a large majority of delegates to the Leipzig meeting. **Peter Norman, Bonn**

RUSSIAN FORCES

Interior military to be halved

Russia's interior ministry forces are to be halved from 250,000 to between 120,000 and 140,000 as part of a continuing drive for reform of the army and security establishment, Sergei Stepashin, interior minister, said yesterday. "We must have a different internal military, which doesn't duplicate the ground forces," he said.

Russia's interior ministry forces, along with the federal border guards, were built up immediately after President Boris Yeltsin's armed confrontation with parliament in 1993. Then, some armed units under the defence ministry sided with the rebel parliamentarians.

"Yeltsin learned in 1993 that he couldn't rely on the defence ministry completely, and so the decision was made to build up the armed forces of other bodies in the government as well," said Dmitri Trenin, a defence analyst at the Carnegie Moscow Centre. **Charles Clover, Moscow**

DEUTSCHE BANK

Tax officials raid bank

Deutsche Bank yesterday became the latest German bank to come under the scrutiny of the tax authorities when 300 inspectors swooped on its Frankfurt headquarters and several main branches in search of evidence of tax evasion.

This is the first time tax officials have targeted Germany's biggest bank, which said it was co-operating with the authorities. Deutsche Bank said it had not operated a system of positive assistance to clients trying to evade taxes by transferring funds to Luxembourg and other foreign investment centres.

In the wave of tax investigations which began four years ago, probes have taken place at Dresdner Bank, Commerzbank, Hypo Capital Management (HCM), a unit of Bayerische Hypotheken-und Wechselbank, and several other private and public sector banks.

Deutsche said its Frankfurt, Kassel, Düsseldorf and Freiburg branches had been searched, as well as its headquarters. The aim of the tax raids is to uncover evidence that bank clients have evaded high German taxes by failing to declare earnings on investments held in Luxembourg and elsewhere. It is not illegal for funds to be held abroad, but earnings must be declared for tax. **Andrew Fisher, Frankfurt**

CYPRUS STAND-OFF

Turkey finds missile launchers

Turkish customs officials said yesterday they had found seven mobile missile-launchers on board a Maltese-registered ship sailing through the Dardanelles from Russia to Egypt.

Turkey has stepped up surveillance of shipping in the straits linking the Black Sea and the Mediterranean in an attempt to prevent Russia from delivering S-300 air defence missiles ordered by the Greek Cypriot government of Cyprus. Ankara says the missiles would threaten national security.

However, Turkish news reports say investigators were unable to confirm whether the roll-on roll-off vessel Natasha 1 was carrying S-300 launchers. Officials said the ship, whose manifest said it was transporting 142 tractors, failed to notify the Turkish authorities that it was also carrying military equipment. Ismet Sezgin, defence minister, said: "We are waiting for reports from the experts, and whatever is necessary according to the law will be done."

The Bosphorus and Dardanelles Straits are governed by the 1936 Montreux Convention guaranteeing free passage in peace time for commercial vessels carrying any cargo. However, Turkey has described the convention as "technically out of date" and in July 1994 unilaterally imposed tighter safety rules. **John Barham, Ankara**

CZECH PRIVATISATION

Advisers named for sell-off

The Czech government has appointed advisers for the sale of its controlling stakes in the local gas and electricity distributors, but it is unclear what role they will have after this weekend's election. Credit Suisse First Boston, which has been appointed adviser for the eight power companies, and Price Waterhouse Coopers, for the eight gas companies, will advise the government on the best way to sell its stakes of just under 50 per cent.

However, the Social Democrats, who are leading in opinion polls, want first to draw up a comprehensive energy policy. They plan to encourage competition and improve the regulatory framework in order to prevent abuse of the utilities' monopoly positions. The party is also divided over whether the utilities should even be sold. Miroslav Gregr, the party's industry spokesman, has said he opposes "foreign capital having a majority or even blocking participation in the integrated energy system". **Robert Anderson, Prague**

HUNGARIAN POLITICS

Constitutional court ruling

Hungary's Constitutional Court yesterday ruled that the far-right Hungarian Justice and Life Party (MIEP) had the right to form a group in the new parliament.

MIEP won 14 seats in the general election last month, one short of the 15 needed to constitute an official group under house rules. The court said the rule was anti-constitutional. Any party that gained enough votes to enter parliament should qualify for official recognition.

MIEP is led by Istvan Csurka, a playwright originally elected as a Democratic Forum MP in 1990. Mr Csurka published a political tract in 1992, which was denounced by many as anti-Semitic. He later split from the Forum to form MIEP.

The court ruling surprised most observers. It gives MIEP a significantly higher profile in the assembly, together with seats on parliamentary committees. **Kester Eddy, Budapest**

BJC-50

هكذا من الأصل

Sturdy recovery eases bank dilemmas

ECB watch

By Wolfgang Münchau in Frankfurt

Annual economic growth in the euro-zone rose to 3.2 per cent in the first quarter this year, the latest evidence of Europe's robust economic recovery.

The data, published yesterday by Eurostat, the European Union's statistical office, suggest Europe is finally beginning to catch up with the US, where annual first quarter growth was 3.7 per cent.

After a long period of sluggish growth, the European economy has been on a steadily upward trend since last year, after annual gross domestic product growth rates of 2.7 per cent in the third quarter of 1997 and 3 per cent in the fourth.

The upswing is increasingly driven by improvements in domestic demand, which increased at an annual rate of 2.7 per cent in the first quarter, against 2.2 per cent in the previous quarter.

Exports and imports both increased substantially. Exports were up 15 per cent compared with the first quarter of 1997, with imports 14.5 per cent higher in the first three months of this year than in the corresponding period in 1997.

The strong economic rebound, combined with continued price stability, reduces the policy dilemmas for the new European Central Bank (ECB), which will start to set euro-zone interest rates from January.

Annual inflation in the 11-country euro-zone has been running at a fraction over 1 per cent during the past few months. Yves Franchet, head of Eurostat, said inflation of 1-2 per cent under the new harmonised index would be consistent with price stability. "Zero per cent would be deflationary."

The harmonised index differs from some of the national indices because it excludes housing costs and uses a different statistical method of calculation. At present, the index excludes health and education, but this is likely to be remedied by the end of the year.

Inflation indices recently came under the spotlight in the Boskin Report, named after Michael Boskin, a former chairman of the US president's council of economic advisers, which suggested the US consumer price index overstated true inflation by 1.1 percentage points. A similar report for Germany suggested the official consumer price index overstated true inflation by 0.75 percentage points.

Mr Franchet said the harmonised index was more consistent with the recommendations contained in the Boskin Report than the national indicators.

With the new index in place, the ECB may opt for an implicit inflation target to supplement a monetary target, which is expected to emerge as the main plank in its monetary policy strategy.

The Bundesbank has been operating on the assumption that an inflation range of between zero and 2 per cent per cent is consistent with price stability.

The ECB is expected to opt for an implicit inflation target range of 1-2 per cent on the basis of the harmonised euro-zone inflation index.

Economic indicators for euro-11 countries

	Apr 1998	Mar 98	Feb 98	Jan 98	Dec 97	Nov-97	1997	1996
Inflation (annual % chg)	1.4*	1.2	1.2	1.1	1.3**	1.6**	1.6**	2.2**
Unemployment rate, %	n/a	11.4	11.4	11.4	11.6	11.7	11.7	11.6
Trade (Ecu bn)								
Exports	n/a	n/a	63.1**	58.1	65.9	65.9	757.4	667.7
Imports	n/a	n/a	58.0**	57.5	57.6	57.4	667.0	594.2
Trade balance	n/a	n/a	5.1**	6.5	8.2	8.5	90.4	72.5
			Dec-Feb/ Sep-Nov	Nov-Jan/ Aug-Oct	Oct-Dec/ Jul-Sep	Sep-Nov/ Jun-Aug		
Industrial production, % (3 mo over previous 3 mo)	n/a	n/a	1.0	1.8	1.8	1.1	4.2††	-0.2††
GDP growth, %	Q1 1998	Q4 97	Q3 97	Q2 97			1997/96	1996/95
(over same quarter last yr)	3.2	3.6	2.7	2.9			2.5	1.6

* provisional ** estimated † estimated due to Ireland, which provided figures for 1997 but estimated monthly †† annual % change
Source: Eurostat

New connections start to bring change to an ancient frontier

Living with the euro

EU currency plans add to pressures on the quiet border towns of Spain and Portugal, writes **David White**

European integration is dismal news for Daniel Salgueiro. He owns a truck drivers' restaurant at the border on the main road between Madrid and Lisbon. A four-lane highway now thrusts through the cluster of white buildings that used to be a customs post. Hardly anybody stops.

The bank next door has already closed, four years before currency exchange becomes obsolete and Spanish pesetas and Portuguese escudos are replaced by euros. "It's a very bad business," he says.

A quarter-century ago, when Spain and Portugal were keeping to their separate ways under sombre dictatorships, the border would close down completely at night. Now you drive through at 120kph.

The frontier, hardly changed in 700 years, is one of the world's oldest land borders. Drawn along rivers or across stretches of open waste ground with no obvious landmarks, it still forms a palpable division. Heading west, the dryness of continental central Spain gives way to the humid air of maritime Portugal. The two countries have always looked in opposite directions. For both, the border zones are barren hinterland.

Since joining the European Union 13 years ago, they have turned to face each other for the first time. Starting from a low base, trade has increased sharply. New business links – gas, telecoms, electricity, banking – are proliferating.

"Monetary union will be another step," says Manuel Amigo, who heads the economy department in Spain's Extremadura region. The region is getting investments from over the border – the biggest, a bottle plant, about to start up – and has recently been growing at rates above the rest of Spain. But he adds: "That does not stop it being backward."

The border areas are not necessarily the main beneficiaries of expanding cross-frontier business and tourism. The regions' very names evoke remoteness – Extremadura, a medieval no-man's-land, and Alentejo, literally the land beyond the Tagus. Castles and fortified towns testify to ancient confrontations – Christians against Moors, Portuguese against Castilians.

EU funds have brought big improvements in infrastructure, but both regions' per capita income remains well below 60 per cent of the EU average.

Most Alentejo towns continue to lose population to coastal cities. On the Spanish side, one in four Extremadurans left in the 1960s and 1970s. Emigration has since stopped, but according to Enrique Kaiser, a farm specialist at the BBV bank group, this is exclusively due to EU agricultural support.

Bank experts say Extremaduran business is only beginning to think about the implications of the euro. The region is geared to exporting to northern Europe rather than next-door Portugal.

For Javier de la Nava, part of BBV's euro study team, this results partly from the competitiveness gained by past devaluations against the main European currencies. With the euro, Portugal may become a more interesting prospect.

Miguel Angel Celdrán, mayor of the Spanish city of Badajoz, is optimistic. Lisbon is now just two hours away by road – 19th-century travellers counted it as a three-day trip – and could become a "natural port" for the region.

But across the border, the worry is that Spain will reap most of the benefits. Spanish exports to Portugal – Pta1,300bn ($8.4bn) last year – have been growing faster than Portuguese sales to Spain, trailing at Pta490bn.

"There is still a certain fear on the part of the Portuguese about integration," says Mr Celdrán. "We think it's being overcome. It will take some years."

Two and a half times the size of Evora, Alentejo's capital, Badajoz stands to take a dominant role. Its hypermarkets take payment in escudos and are flooded with Portuguese shoppers at weekends. "The Portuguese call Badajoz the third Portuguese city after Lisbon and Porto," says Mr Celdrán.

Shopkeepers in Elvas and other towns on the Portuguese side have suffered. Small grocers are still the norm here. At a hardware and toy store in Castelo de Vide the advent of the euro is viewed with vague concern. "It's already difficult," says the owner.

People on the two sides have had little to do with each other, except for a traditional and now vanished contraband business in such staples as coffee and eggs.

Carolino Tapadejo, a former mayor of Castelo de Vide, has been trying to change all that. He heads an association for cross-border co-operation between the northern part of Alentejo and the neighbouring area of Extremadura, under the EU's Leader programme. It is targeting construction, food, tourism and crafts. Several dozen joint projects are already under way, including producer groups for

olive oil and fruit and vegetables. But he says: "All this will be a very slow process."

Portuguese businesses, mostly tiny, suffer from psychological barriers and weak organisation in dealing with more dynamic Spanish neighbours. "The thing the Portuguese haven't seen yet is that Spain is not only an economic power but also a big market." He says they need a change of strategy, but there is no reason why the advent of the euro should be bad for them. "I think it will bring some advantages, despite the difficulties."

Danish tax plan angers company

By Hilary Barnes in Copenhagen

The Danish oil, gas and shipping group A.P. Möller-Maersk declined to sign two new North Sea oil exploration licences yesterday in protest at government plans for reforming corporation tax.

It was the latest move in a war between Denmark's largest business group, headed by Maersk McKinney Möller, aged 85 this summer, and the government, which put forward its tax proposals two weeks ago.

The government, a minority coalition of Social Democrats and the small, social-liberal Radical party, has proposed a reduction in the corporate income tax rate from 34 to 26 per cent. But it has exempted companies which exploit oil and gas from the tax cut and Möller is the primary victim.

As operating company for Danish Underground Consortium, in which its partners are Shell and Texaco, Möller produces about 11.4m tonnes of oil and 7bn cu m of natural gas from the Danish sector, enough to make Denmark self-sufficient in these products. The apparent discrimination against his company has incensed Mr Möller.

The group is Denmark's largest business by far, engaged in manufacturing, shipbuilding, retailing and air transport, as well as oil and gas production.

Mr Möller's first reaction was to announce that four large container vessels, under construction in Korea, will not fly the Danish flag. On Friday, A.P. Möller informed the energy ministry that it would not sign two new oil licences.

In fact, the argument may be a pointless one. The minority government's proposals for reforming business taxation appear to have such little support in parliament that it will almost certainly have to drop them, at least for the time being.

Russia's markets falling again

By John Thornhill in Moscow

Russia's financial markets came under renewed pressure yesterday as a fresh round of anxieties in Asia and doubts about how quickly additional international financial assistance might materialise eroded investor confidence.

Yields on short-term treasury bills or GKOs rose above the central bank's refinancing rate of 60 per cent, suggesting another rise in official interest rates might be forthcoming.

The RTS index of leading shares fell 7 per cent in thin trading to its lowest point since 1996. The rouble slipped marginally outside its indicative trading band, falling to 6.21 against the dollar.

President Boris Yeltsin, who has repeatedly vowed that the rouble will not be devalued, said he was bringing forward an "anti-crisis" meeting of ministers and MPs by one week to June 23. He has promised tough measures to raise additional revenues and cut government spending to bring public finances under control.

Boris Nemtsov, deputy prime minister, conceded the government was in "a very difficult position" and must tackle the pressing problems of wage arrears and poor tax collection by the summer. "If they are not solved, the autumn will be very hot," he said.

Mr Nemtsov said the government was taking effective measures to eliminate wage arrears and had fulfilled its obligations to the coal sector in full. It was now the best financed industry in the country, he said, although "this cannot be said about the funding of teachers, doctors, officers, or science".

However, the coal miners say they have still not received their back wages and complain that much of the federal money earmarked for their industry is pilfered before it reaches its intended destination.

Interest rate surge hits HK shares

By John Ridding and Louise Lucas in Hong Kong

Hong Kong market interest rates surged yesterday, driving the stock market down almost 6 per cent to a three-year low, as the tumbling yen fuelled fears for the territory's exchange rate peg to the US dollar.

Heavy sales of Hong Kong dollars over the past few days, including signs of a speculative assault, triggered a liquidity squeeze in the territory's money markets. Overnight interest rates soared to their highest levels since a speculative attack last October, rising from 6 per cent last Friday to 15 per cent, before falling to 9 per cent.

In spite of rising pressure on the currency peg, Tung Chee-hwa, Hong Kong's chief executive, dismissed suggestions that the exchange rate link could be broken. "The Hong Kong dollar will stay where it is, firmly linked to the US dollar," he said. The post-colonial leader warned, however, that territory's economic downturn would prove protracted. "Many quarters of difficulty lie ahead," he said.

The sharp downturn in the economy, which is facing its first recession since 1985, was underlined yesterday with news that unemployment rose to a 15-year high of 4.2 per cent at the end of May. Announcing the increase, from 3.9 per cent at the end of April, the government warned of further rises over coming months.

Hong Kong's economy has already been hit hard by high interest rates, with property prices falling about 40 per cent since their peak last August and consumer spending grinding to a halt. The stock market has fallen 56 per cent since its peak last August as the economy has slid towards recession.

After a period of relative stability, the sharp fall in the yen has heightened anxieties about the Hong Kong dollar. Strong selling of the Hong Kong currency last Friday showed the aggregate balance of net Hong Kong dollar sales for US dollars due today totalled HK$7.26bn (US$940m). This fell to HK$1.84bn yesterday afternoon as liquidity eased slightly. The Hong Kong Monetary Authority said continued US dollar sales during the day meant there should be adequate liquidity to meet settlements due today.

While the interest rates recorded yesterday were lower than a previous assault on the Hong Kong dollar last October, analysts expressed concern over the outlook. "The market is really suffering," said Mark Konyn, director of Dresdner RCM Global Investors. "The selling has been much broader-based than before."

Stanley Wong, regional treasurer for Standard Chartered Bank, said a speculative assault had been building up since last Friday. He thought interest rates could ease toward the end of the week, but that would depend on the yen and investors' perceptions of whether China would be forced to devalue.

But several commentators warned of a sustained rise in money market interest rates and the risk banks would be forced to raise their prime lending rates, which were trimmed from 10.25 per cent to 10 per cent in March. "A rise in prime rates would deal a big blow to sentiment and to the property sector," said one equities analyst. "It would scupper government hopes for a stabilisation in property prices."

China yesterday dismissed speculation it would be forced to devalue the renminbi – a move that would severely threaten the Hong Kong dollar peg.

Currencies, Page 35; World stock markets, Page 46

Two-speed China emerges as state factories are shut or sold

James Kynge visits Shenyang to find the smoke-stacks idle in what had been 'China's Ruhr'

Shenyang's statue of Mao presides over the clean air and performing soldiers Reuters

Shenyang, one of the smokestack capitals of China, has long been famous for its bad air. But this summer is different; the once persistent drizzle of coal dust no longer blackens the leaves, and the city's famous statue of Mao Zedong, the founder of Communist China, stands against a fathomless Manchurian sky.

The dramatic change in the natural environment reflects a man-made reversal which is no less fundamental. The drab, Dickensian factories that for years belched smoke and haemorrhaged money, as they made goods with little heed for quality or demand, have finally stopped work.

Most of the state-owned enterprises that once made Shenyang "China's Ruhr" are now up for sale. Municipal authorities are overseeing a programme of auctions, mergers and acquisitions which reflects the single most comprehensive privatisation of state assets since free market reforms began in 1979.

The experience of China's fifth largest city (by industrial output) is evidence that a policy of faster reform for state-owned enterprises, set down at the 15th Communist Party congress last September, is being implemented at the local level. The drive appears to have picked up pace since the reformist Zhu Rongji was appointed premier at the National People's Congress in March.

Gai Ruyin, deputy mayor of Shenyang, said that by 2002 the number of companies under state ownership would fall from around 80 per cent at the moment to well under 50 per cent.

"There are about 3,000 small and medium-sized state-owned enterprises in Shenyang and they all need to be sold off within two to three years," said Mr Gai in an interview. He added that 1,000 had already been offered for sale in the past three months.

As for the city's 232 large industrial plants, only 16 would remain under state control, he added. These 16 would eventually coalesce into 5 large diversified groups that might be modelled on Korea's *chaebol*.

The new zest for reform springs partly from an ideological release. Jiang Zemin, China's president, further obfuscated what is now only a tenuous official taboo against private ownership by declaring at the September congress that "diverse forms of public ownership" should be realised. This has been creatively interpreted all over China as a green light for mass privatisation.

The sink-or-swim philosophy is deepening the divide between prosperous coastal parts of China, where many businesses are already private, and the inland and northern parts of China where the concentration of ailing state industry is highest. A two-speed China is emerging, with a consequent geographical divergence in official attitudes toward foreign investors and market opening.

In Shenyang, the threat of social dislocation arising from economic decline and surging job losses among workers has prompted the authorities to search for investors wherever they can find them, at home or abroad. Many former prohibitions have been undermined by the imperative to restructure.

Mu Suixin, the city's energetic mayor, led a roadshow in Europe in April to lure foreign companies to acquire or manage some of Shenyang's largest state enterprises.

Other officials made a similar tour in April to wealthy parts of southern China, advertising thousands of mainly small and medium-sized state enterprises for sale. Mindful that a heavily indebted company with a huge workforce and porous accounts is not everyone's idea of a bargain, the authorities are trying to make the terms of sale as attractive as possible.

Mr Gai said that unwanted workers could be made redundant with a lump sum payment of, say, RMB10,000 ($1,200), which could be deducted from the acquisition cost. Some enterprises are being sold for just RMB1, if debts exceed assets.

The government's great gamble, however, is that economic growth can be maintained at a rapid enough clip to ensure re-employment for most workers who have been sacked. This hope appears ambitious in Shenyang where, out of a work force of 2m, 360,000 have lost their jobs and a further 400,000 are queued for redundancy.

Such proportions of unemployed are repeated in many cities and towns throughout the north-eastern provinces of Heilongjiang, Jilin and Liaoning, each of which is engaged in the large-scale sell-off of state assets.

Several job centres have been set up in Shenyang to place sacked state workers in new employment. But the success rate is low; at one such centre, an average of 47 per cent of applicants have been found jobs. The jobs they can expect are rarely desirable, although training is provided free. "It takes about three days to train a shoe-shine and about three months to teach a cook," said the head of the Shenyang Job Centre.

Nearby, crowds of jobless workers in blue cotton jackets milled to and fro, glancing at an electronic screen which flashed up advertisements for jobs paying as little as RMB200 a month. A syrupy love song, "Will you marry me," played in the background.

Japanese state lending to companies up sharply

By Gillian Tett in Tokyo

Lending by Japanese public financial institutions to small companies rose sharply in the four months to the end of March. The unprecedented annualised rise of 25 per cent to over Y4,000bn ($27.7bn) of new loans was triggered by the the government's mounting concern that Japan's financial turmoil could create a dangerous "credit crunch" which would exacerbate the country's recession.

The government hopes raising public lending levels will offset a fall in loans from private banks, which have been raising interest rates and cutting loans to boost their capital adequacy ratios. Japanese banks cut loans to companies by a record 2.5 per cent in the year to April and by 2.2 per cent in the year to May.

However, some economists argue that this increase in state lending undermines attempts to build a more market-oriented financial sector through "big bang" deregulation, as the public lending bodies are undercutting the franchise of private banks.

There is also concern that public sector financial institutions are weighed down by bad loans. Last week, for example, it emerged that over Y1,000bn worth of loans and investments that an affiliate of the Ministry of International Trade and Industry has made to private oil companies in recent years have turned bad.

David Asher and Andrew Smithers, two UK economists, warn: "There are significant lending problems plainly apparent in the official accounts of the [government] financial bodies."

However, government officials vehemently deny that there are "hidden" losses in the system and insist their default rate is lower than the banks'.

Kenji Ito, chief planning manager of People's Finance Corporation, a government bank, says: "There is some concern that the recent growth in loans could create more defaults... but our default rate in fiscal 1997 was only about 2.7 per cent." This was much lower than for banks.

Officials predict that the surge in state lending will continue. The ruling Liberal Democratic party pledged in December to provide up to Y23,000bn in new credit lines to the corporate sector in the coming two to three years.

Japan's public lending institutions have traditionally received very little scrutiny, partly because data about them have often been sparse.

They operate as part of a Y400,000bn scheme known as the Fiscal Investment and Loan Programme based on funds from the postal savings system and public pensions programme.

Ministry of Finance figures show that new loans made via People's Finance Corporation, one of the largest lenders, rose Y3,200bn or 8 per cent during fiscal 1997. Between January and April new loans were 25 per cent higher than a year before. About 80 per cent of these loans were unsupported by any collateral.

are shut or sold

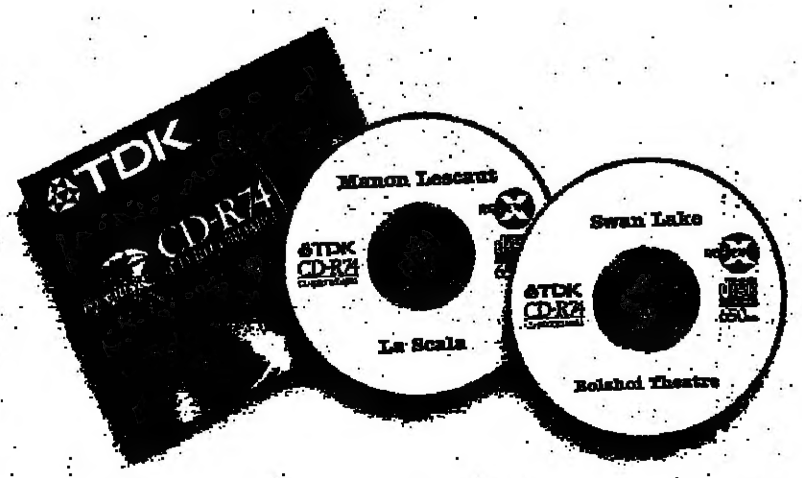
s up sharply

N FLOWS.

It's impossible to hang Puccini's Manon Lescaut on a wall. Or place Tchaikovsky's Swan Lake on a plinth. But they are as important in their own way as Da Vinci's Mona Lisa or Michelangelo's David.

Which is why La Scala Opera House in Milan and The Bolshoi Theatre in Moscow have entrusted TDK, the world's leading manufacturer of electronic components and recording media, to archive their entire, priceless back catalogue of performances to recordable CD.

If La Scala and The Bolshoi trust TDK to look after their treasures, shouldn't you?



TDK

AT THE HEART OF IT.

هكذا من الأصل

هكذا من الاجل

UNITED NATIONS ROME CONFERENCE DEBATES SETTING UP A PERMANENT BODY TO TRY PERPETRATORS OF CRIMES AGAINST HUMANITY

Drive for international criminal court

By James Blitz in Rome

A five-week United Nations conference to try to set up an International Criminal Court opened in Rome yesterday, with several countries – including most of the European Union and Canada – backing the creation of a body with the widest possible powers.

Although the drive to set up a court – which would try perpetrators of genocide and other crimes against humanity – is backed by big international pressure groups, there were expectations that the US and France would try to water down the powers of the organisation.

Officials from 156 states and 200 humanitarian groups have gathered in the Italian capital to finalise a 200-page text that would set up the court and define the crimes it could prosecute under international law.

In recent years, *ad hoc* tribunals have been set up to try war crimes carried out in former Yugoslavia and Rwanda.

The aim of this conference is to put the process on a permanent footing.

Lloyd Axworthy, the Canadian foreign minister, whose country is among the leading protagonists at the conference, admitted yesterday there were countries that were "on-side" over the project and others that were "off-side".

Mr Axworthy said several countries were trying to bring about a situation where there was "a court in name but not in fact." He said his country would "take a stand" at the conference "and if there's a blow-out, there's a blow-out."

One of the critical issues facing the delegates in forthcoming days is to decide the level of independence the new court should have.

One group of states, including most of the European Union, South Africa and Canada, is pressing for the new court to have the independence to monitor crimes and prosecute when it deems fit.

This group is also insisting that the court should have the right to try aggression within what are initially deemed national boundaries, such as civil conflicts of the kind seen in former Yugoslavia.

But diplomats said the US, France, Russia and China wanted the powers of the court to be more limited, allowing crimes to be investigated only after they have been referred to the court by the UN Security Council.

"Such a move would make the court toothless," said one diplomat, "because it would allow Security Council members to veto any prosecutions that were of embarrassment to their own countries".

Despite serious disagreements, senior officials said the strong presence of the non-governmental pressure groups at the conference would focus the minds of national delegates.

"The conference will start setting a moral standard which some of the less enthusiastic countries will come under pressure to support," said one government minister. "If these countries don't start to give way, the pressure groups will start bombarding the networks back home."

Kofi Annan's Personal View, Page 16

Riyadh faces cash flow crisis as the outlook darkens for Arab Light prices

Saudis remain remarkably calm despite warnings from bankers and economists that the budget deficit could double. **Robin Allen** and **Robert Corzine** report

Saudi Arabia, owner of a quarter of proven global oil reserves, will face its fourth cash flow crisis in 10 years if the price for Arab Light, its main export crude, does not recover to $13 a barrel.

Bankers and economists in Riyadh warn that the kingdom's 1998 budget deficit could more than double to SR40bn ($10.7bn), and its current account deficit, after two years of small surpluses, could soar to more than $10bn. The $13 figure is already a downward revision from the $14-$15 target on which 1998 budget revenues were based last January, which envisaged a deficit of $4.8bn.

According to oil economists in Riyadh, the average 1998 price for Arab Light up to the end of last month was $12.16. But the latest wave of selling pressure to sweep through world oil markets pushed Arab Light below $9 a barrel yesterday morning.

In real terms, allowing for inflation and the fall in value of the US dollar, Saudi Arabia's earnings per barrel of oil are only $3.42, the lowest since 1973. Over the past 10 years the annual per capita income has fallen below the level of Latvia.

Oil ministry policy-makers were yesterday busy preparing for today's meeting in Riyadh of oil ministers from the Gulf Co-operation Council, and next week's meeting of the Organisation of Petroleum Exporting Countries (Opec) in Vienna. But behind-the-scenes diplomatic activity has not been matched by public debate.

Saudi bankers and senior western diplomats say the most striking aspect of the country's latest cash-flow crisis is the lack of awareness of the government's oil policy or Opec strategy, on which hinges the fate of 75 per cent of Saudi Arabia's annual budget revenues.

Apart from a recent editorial in the Riyadh daily, Al-Jazira, which blamed anonymous Opec quota cheaters for the "unbearable pressures" on oil producers and warned consuming countries of "confusion and embarrassment in the international economy," if oil prices do not recover, newspapers are more taken with jobs for school-leavers or the low price of watermelons.

Saudi oil policy is first developed by Ali Naimi, oil minister, under the overall supervision of the Supreme Council of Saudi Aramco (SCSA), chaired by King Fahd Bin Abdul-Aziz, the prime minister, or in his frequent absence owing to illness, crown prince Abdullah, before being approved by the cabinet. SCSA members include the finance minister, Saudi Aramco's president Abdullah al-Juma'a, the minister for municipal and rural affairs and an influential religious figure, as well as senior members of the private sector.

Apart from praise for Mr Naimi's professionalism and low profile, Saudi businessmen have made few comments on Saudi initiatives at last November's Opec meeting – when a decision to raise national quotas helped trigger the price collapse – or the recent Riyadh and Amsterdam production restraint pacts aimed at soaking up the world oil glut. "Until a stack of economic bricks falls on their heads," commented one senior Saudi banker, "people do not see a problem and are not going to take drastic action. People are not educated in economics. In Japan, people know a recession has started because the government announces it. This is not the way things are done in Saudi Arabia."

According to Abdul-Aziz O'Hall, chairman of Saudi Investment Bank, "there is some concern in banking circles about the deficit, but the private sector is buoyant and I tell my customers not to panic because we own the largest oil reserves and the next Opec meeting (on June 24) will see a huge reduction in quotas." Ihsan Bu-Hulaiga, an economist, said: "We weathered the 1987 oil price crisis when a budget deficit of SR70bn was equivalent to 25 per cent of GDP. This time a budget deficit of SR40bn would represent only 7.6 per cent of GDP. Inflation is less than 1 per cent; and the non-oil private sector is contributing twice as much as the state to capital formation and investment."

But events over the past few days suggest more unpleasant surprises may be in store for Saudi Arabia.

The Asian crisis has effectively curtailed oil demand growth in the region this year. But the onset of recession in Japan may be a bigger blow to the Saudis than the financial meltdown in south-east Asia.

Japan is one of Saudi Arabia's biggest customers. Any sustained economic downturn there could cut crude demand. That could mean even more oil heading for the US, where Saudi Arabia already faces fierce competition for market share from Venezuela and Mexico, the other two signatories to the Riyadh and Amsterdam agreements. The US is the world's biggest oil market and one in which Riyadh appears determined to remain competitive.

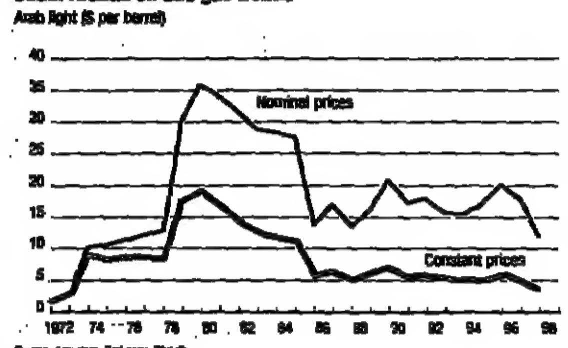
But increased competition would put yet more pressure on world crude prices, which are heavily influenced by the US domestic oil market.

Iraq must also be worrying Saudi officials. They expected that disputes between Baghdad and the United Nations would lead to regular stoppages this year of Iraqi exports under the oil-for-food programme. But the export scheme has proceeded relatively smoothly, and yesterday Richard Butler, chief UN weapons inspector, raised the prospect that the oil embargo could be lifted as early as this year.

Saudi officials have long acknowledged that the reintegration of Iraq into Opec will be the biggest problem for the exporters' group. It will require across-the-board production cuts by many members, but observers say Saudi Arabia will probably have to shoulder the biggest burden, as it made up for much of the loss of Iraqi oil when the embargo was imposed in 1990.

Saudi Arabia: oil and gas trends

Arab light ($ per barrel)



Source: American Embassy, Riyadh

NEWS DIGEST

OBASANJO RELEASED

Nigerian regime frees nine political prisoners

Nigeria's military government yesterday ordered the immediate release of General Olusegun Obasanjo and eight other prominent political prisoners, an official statement said. Those released include oil union leaders Milton Dabibi and Frank Kokori, journalist Chris Anyanwu, activist Beko Ransome-Kuti, politicians Bola Ige and Olabiyi Durojaye, Uwen Udoh and former Sultan of Sokoto Ibrahim Dasuki.

Western countries and local democracy campaigners have long demanded the release of scores of political detainees, locked up for challenging the regime of former strongman General Sani Abacha, who died a week ago and was replaced by Gen Abdulsalam Abubakar.

The statement made no mention of Nigeria's most prominent detainee, Moshood Abiola, the presumed winner of 1993 elections, who was detained for declaring himself president in 1994. **Reuters, Abuja**

BORDER WAR

Air strike ban agreed

Eritrea and Ethiopia yesterday welcomed a US proposal to institute an immediate ban on air strikes in their border war, but their governments said the moratorium marked only a first step in the resolution of the conflict.

The agreement, negotiated by US President Bill Clinton during telephone calls with Isaias Afewerki of Eritrea and Meles Zenawi of Ethiopia on Sunday night, marked the first diplomatic breakthrough in a month of escalating violence.

"I think the Ethiopian government is beginning to realise that force is not going to solve this problem," said an Eritrean spokesman.

In Addis Ababa the reaction was more cautious, with a spokeswoman reiterating that Ethiopia would defend itself if its sovereignty was threatened. The White House said both countries had agreed to honour the moratorium indefinitely or until they decided the peace process had proved fruitless. In the latter case, they have promised to give the US formal advance notice of their intentions.

No serious fighting has been reported between the two countries since Thursday. But the build-up of troops and heavy artillery along the frontier suggests the ground war could well continue. **Michela Wrong, Asmara**

SOUTH AFRICA

Chemical weapons destroyed

South Africa said yesterday an apartheid era chemical and biological weapons programme had been wound up and its material for offensive purposes destroyed.

A statement issued by Joel Netshitenzhe, a senior government spokesman, said the termination and destruction of the programme was done in co-operation with countries which possessed the necessary expertise. He did not indicate when the programme was closed down.

Mr Netshitenzhe said the statement has been issued in response to questions about the apartheid government's chemical and biological programme following a week of public hearings at the Truth and Reconciliation Commission.

During the hearings the Commission heard how scientists worked on bacteria to make blacks infertile and produced an array of tailor-made poisons. **Reuters, Johannesburg**

ABITIBI-CONSOLIDATED UNION PREDICTS LONG STRIKE □ HIGHER PRICES LIKELY □ INVENTORIES BUILT UP

Canada newsprint mills shut down

By Edward Alden in Toronto

More than 5,000 workers at the world's largest newsprint producer, Abitibi-Consolidated, walked out yesterday in what the union is predicting will be a long shutdown.

The strike shut 11 of Abitibi's 14 mills in Canada, but will not affect the company's three paper mills in the US or its one in the UK. The three open Canadian mills have no-strike clauses negotiated with the union.

The walkout was called by the Communications, Energy and Paperworkers union after the company refused to drop demands that negotiations take place on a mill-by-mill basis.

Abitibi has in the past agreed to contracts covering all of its Canadian mills, but since last year's merger between Abitibi-Price and Stone-Consolidated the company has insisted its operations are too large and diverse to be covered by a single labour agreement.

While the strike will still leave Abitibi running mills that produce 60 per cent of its global newsprint capacity, analysts said the shutdown would be likely to drive up newsprint prices across North America. Abitibi, which controls about 17 per cent of the North American market, supplies many of the continent's largest buyers, including the New York Times and the Knight-Ridder newspaper chain.

A month-long strike would shut down production equal to about 45 per cent of the current inventory of newsprint in North America, said Richard Saucier, analyst with Scotia Capital Markets. That could help newsprint producers enforce a US$40 a ton price increase that failed to take hold May 1.

But newspapers are entering the slower months of July and August, and both company and customers had increased inventories in anticipation of a shutdown.

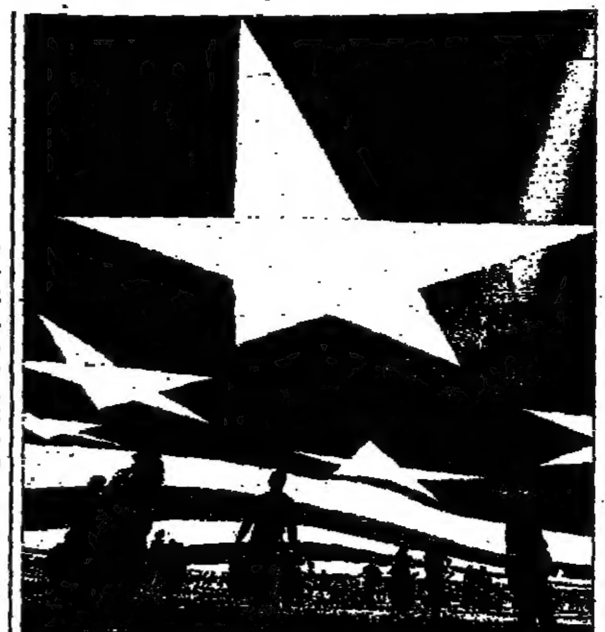
The effects will be sharper in uncoated groundwood papers, used for magazines, books and telephone directories. The strike-hit mills produce about 90 per cent of the outstanding inventory in these products each month.

The dispute at Abitibi is the second to involve Canadian forest products companies and the pulp and paper unions over the last year. Fletcher Challenge Canada's three mills in British Columbia were shut for nine months in a fight that ended with the union conceding most company demands.

Abitibi argues that without an agreement to negotiate mill-by-mill it will be left as the only leading North American producer without such flexibility. The company says conditions at each mill are sufficiently different that separate labour agreements are required to improve competitiveness.

The union says mill-by-mill negotiations would let the company isolate the weakest union branch and force down pay and working conditions at all the mills.

Abitibi shares were yesterday up 15 cents at C$18.85 in mid-session.



People walk under the world's largest American flag this week as it was unfurled at Moffett Field air station in California AP

Mexico planning big tax reforms

By Henry Tricks and Leslie Crawford in Mexico City

The Mexican government is planning a big tax reform package later this year as part of its 1999 budget proposals, following a slump in oil prices that has exposed the vulnerability of public finances.

Knock-on effects of the Asian crisis have compounded the oil shock, causing investors to flee Mexico's stock market and driving the peso to historic lows. That will take its toll on economic growth this year, further constraining tax revenues.

José Angel Gurría, finance minister, told the Financial Times the fiscal reform bill would be aimed at strengthening the non-oil side of Mexico's tax structure by increasing tax collection and curbing inefficiencies.

Taxes on oil now account for 30-40 per cent of public revenues, and a drop of one third in oil export prices this year has forced the government to trim spending by $3.5bn in two cuts.

The government may now have to implement a third budget cut, after oil prices last week sank more than $4 below the $12.50 per barrel estimated as a basis for 1998 public finances.

Meanwhile, Mr Gurría said, taxation as a share of gross domestic product is 14 per cent, about half of the average level of countries in the Organisation for Economic Co-operation and Development. "This is a year to put forward fiscal reform," he said. "Sometimes you have to have a PhD in order to fill in your tax return."

Areas of potential reform outlined by Mr Gurría include numerous exemptions from value added tax, income tax brackets and treatment of fringe benefits. He did not rule out proposing tax increases. "We're looking at the trade-offs between rates and the real capacity to collect," he said.

GM sends home 56,000 as strike bites

By Nikki Tait in Chicago

The effects of the two strikes at General Motors mounted yesterday, causing the largest carmaker in the US to send home about 56,200 workers employed at its North American assembly operations and at its Delphi Automotives Systems arm, which makes car parts. Included in the numbers are over 10,000 employees at car parts plants in Mexico.

Yesterday morning, GM said that no new assembly plants had been affected since Friday evening, when around 13 facilities had either closed or seen operations significantly affected. It said that most of the additional disruption had come at Delphi plants. Analysts have warned that if the disputes drag on into the latter half of this week, much of GM's North American car-making activity could be shut down.

The company continued to meet with representatives of the United Auto Workers union, in an attempt to resolve the problems at both its Flint Metal Center, which makes body parts and where employees have been on strike for a week and a half, and at Delphi's Flint East plant, which makes car parts and where 5,800 employees downed tools last Thursday. Neither side has been keen to discuss details of the talks, but some analysts now fear that lack of progress to date indicates fairly entrenched positions which could lead to a lengthy stoppage.

The disputes in both plants centre on the company's desire for "productivity streamlining" and changes to workplace rules, which it claims are essential it is to remain competitive.

But the UAW is concerned about job losses, and has also raised issues of health and safety in the facilities. It has accused the carmaker of moving jobs to cheaper labour markets, at the expense of such towns as Flint, Michigan.

Wrangle over Holocaust assets sinks to poker game

Swiss banks and Jewish groups are trying to call each other's bluff as time runs out before a sanctions decision is taken

By John Authers in New York and William Hall in Zurich

Negotiations between the three big Swiss banks and lawyers for Jewish organisations over the issue of assets looted by the Nazis degenerated this week into a poker game, with each side calling the other's bluff.

Lawyers representing the Jewish side declined to appear at last week's meeting, saying there was no point in attending, given the offer that had been made to them. This seems to have been about $500m, far short of the $1bn or so the Jewish side had hoped for.

Another meeting is set for next week but lawyers for the Jewish side appear to have told their counterparts they will not attend unless they have been given an improved offer by the end of this week.

This will be the last chance for both sides to meet before US public officials convene on July 1 to decide whether to impose sanctions on the banks.

The negotiations started in March, when a group of US public officials, led by Alan Hevesi, comptroller of New York City, met to decide whether to impose sanctions on the Swiss banks.

After a day of talks brokered by Stuart Eizenstat, US under-secretary of state, the three big Swiss banks agreed in principle to make a global settlement. In return, all legal action against them in the US would stop.

At this point, all parties agreed they would try for a settlement in three months. Both sides now have internal divisions over tactics; both believe they can afford not to reach a settlement.

In the case of the Swiss banks, the decision of the New York state banking department and the US Federal Reserve at the start of June to approve the merger of UBS and Swiss Bank Corporation has strengthened their hand.

For UBS and SBC, consummating Europe's biggest bank merger was more critical than settling the class actions. A danger existed that the merger approval process would become a long-term bargaining counter in the class action negotiations.

UBS and SBC both deny they secretly agreed to settle the class actions in return for allowing their merger to go ahead.

The Swiss banks have less room for manoeuvre than might appear. UBS and Credit Suisse need to settle the class actions quickly. Both have Wall Street investment banking operations, the future of which would be damaged by endless US litigation, threats of boycotts and years of bad publicity.

If the case came to court, the US lawyers would have a field day exercising their "powers of discovery" to trawl through the Swiss banks' files.

On the Jewish side, negotiators are keen to produce money soon, because Holocaust survivors have now reached an advanced age, but they expect to receive payments from the commission chaired by Paul Volcker, former chairman of the US Federal Reserve.

This commission, set up before the class actions were filed, is looking only into the issue of Holocaust victims' accounts which have been allowed to stay dormant.

If, as expected, this yields a payment of $500m or more from the Swiss banks, the negotiators will feel justified in turning down a settlement designed to cover other issues, such as looted gold and artwork, in favour of forcing the issue through the courts.

The banks are only interested in pursuing a global resolution of Holocaust-era issues that provides them with a permanent and complete release from all potential exposure from all possible sources.

They want the governments of the US, Switzerland and Israel to file statements endorsing any settlement in a US court, with similar endorsements from the World Jewish Congress, the World Jewish Restitution Organisation (and each of its members), and other Jewish organisations. But if the Swiss banks hold out for a settlement of below $1bn, it could be impossible to get agreement from these parties.

Avraham Burg, chairman of the Jewish Agency and a member of the Volcker Commission, has insisted that any settlement with the big Swiss banks will only be valid in the US, and has refused to rule out pursuing the Swiss banks in other jurisdictions.

Mr Burg, with many Jewish leaders, will only be satisfied if any global settlement includes the Swiss National Bank, Swiss insurers, and Swiss companies which may have benefited from the profits of Nazi slave labour.

The Swiss banks have much less room for manoeuvre than might appear at first sight

While some US lawyers want to launch a class action against the national bank, others oppose this, saying it would eventually reach court in Switzerland. The banks are only prepared to negotiate a settlement of issues directly relating to them.

If the Swiss banks agree to a higher settlement, they will not win Swiss government backing. It is concerned they will make concessions which can be used as a precedent for new class actions.

صكنا من الاصل

WORLD TRADE

TOY INDUSTRY EUROPEAN COMMISSION DELAYS DECISION ON CARCINOGENIC ELEMENTS IN PRODUCTS FOR CHILDREN

Brussels stalls over chemicals ban

By Samer Iskandar in Brussels

The European Commission has again postponed a decision whether to ban carcinogen chemicals contained in children's toys, as scientists continue to study the potential health implications.

Repeated delays have caused anger among environmentalists and consumer protection groups calling for a total ban.

Last week, the Commission rejected a proposal by Emma Bonino, the commissioner in charge of consumer policy and public health, to ban and recall from the market all objects containing phthalates and destined to be put in the mouth, such as children's teething rings. The debate was rescheduled for tomorrow's weekly Commission meeting but commissioners are unlikely to discuss the issue until next Wednesday.

Phthalates are chemical additives widely used to improve the softness, elasticity and aspect of PVC. Scientific experiments on animals have shown that two phthalates – DINP and DEHP – are toxic and carcinogenic when ingested.

The toy industry opposes a ban, on the grounds that scientific evidence of the risk to consumers is insufficient. Trade associations argue that a total ban could cost the industry Ecu2bn ($2.1bn) and threaten up to 15,000 jobs in the European Union.

The main problem is the absence of a reliable method to measure the rate at which phthalates migrate from PVC objects to the human body. Commission officials yesterday said last week's failure to gather enough support for a ban meant that Ms Bonino was likely to envisage less stringent measures. Her initial plan was based on the Emergency Product Safety Directive, which would have been legally binding for all member states and subject to strict deadlines.

Ms Bonino is said to be pinning her hopes on a scientific study being undertaken in the Netherlands. It is the first test aiming to measure the rate of absorption of phthalates by humans.

A Commission official said: "If this study establishes a new method to measure the migration of phthalates, Ms Bonino could renew her proposal for a total ban." However, the test results are not expected before August.

A committee of scientific experts chosen by the Commission was due to meet until late yesterday, to discuss the issue.

Alternatives to a total ban include a Commission recommendation, which is not legally binding but would urge EU governments to determine what measures are appropriate.

Commissioners who opposed Ms Bonino's proposals fear that law courts would overrule a ban. EU law stipulates that the Emergency directive can only be implemented if the danger is "immediate". Lawyers say it is difficult to prove that the risk is immediate, because the consequences of ingesting phthalates only become apparent in the long term.

Bonino: pinning hopes on study

Shipping ill-prepared for 2000 'bomb'

By Charles Batchelor, Transport Correspondent

The shipping and ports sectors are ill-prepared for the threat posed by the "millennium bomb" – the inability of computers to deal with the year 2000 – industry experts warned yesterday.

Awareness of the problem among shipping and transport companies was "below average" and there was very little co-operation across the industry to find solutions, said Mark Holford, a director of Thomas Miller Risk Management.

Yet because of the interdependence of companies involved in the shipping chain – shipowners, port operators and freight forwarders – each was vulnerable if business partners failed to take action.

The complexity of ship design and the lack of a few standard designs – unlike the aircraft industry – meant that it was harder to detect likely problems and find solutions for the world fleet of 80,000 vessels. Unlike a factory or office, ships were continually on the move, which made it difficult to apply solutions.

One vessel, a 35,000 dwt products carrier operated by Chevron Shipping, required the inspection of 1,800 subassemblies of which 122 were suspect, though only six were systems with an active date display.

Vulnerable systems on board ships included radar mapping equipment, systems to monitor ballast water and cargo-loading computers, Malcolm Gosling, head of electrical services of Shell Trading and Shipping, told a shipping industry conference.

He estimated the cost of carrying out health checks on ships at between $10,000 and $20,000 depending on the sophistication of their equipment.

The container sector, which is very dependent on computers for positioning containers both on ships and ashore to meet loading and unloading schedules, was particularly vulnerable, said Roger Nixon, senior projects executive of the UK P&I Club, a mutual insurance group.

"You can carry out a manual calculation on a shipment of 50,000 tonnes of grain or ore but you can't do that for a ship carrying 2,000 containers," he said.

Ports are also very dependent on computers with embedded chips, which are difficult to monitor and replace. These are installed in the systems which control and diagnose faults in quayside cranes, gate barriers and check points, positioning systems and hand-held terminals which inform dock staff of their next task.

"We have 27,000 containers in Felixstowe port and handle 13m containers a year in 17 ports around the world," said Christopher Lewis of Hutchison Ports (UK). "If these systems failed there would be chaos."

Online gambling could net $10bn

By Scheherazade Daneshkhu, Leisure Industries Correspondent

The value of gambling through online computer services, particularly the internet, will increase from $535m to more than $10bn per year within five years, according to a recent report.

Casinos, allowing punters to play roulette and card games such as poker and blackjack, dominate the new market which allows those with an internet connection and a credit card to gamble anywhere in the world, according to Datamonitor, the management consultants. However, it expects sports and events betting and lotteries to become increasingly important.

"The online market will reflect the traditional mass market which has been held back so far by legal uncertainties," said Michael Evason, author of the report.

"We do not expect these uncertainties to continue or to be a barrier in the future."

Revenues from online gambling in the US, which has the highest online population, is three times that of Europe.

However, that gap is likely to narrow as online usage increases in Europe.

Datamonitor forecasts that online gambling revenues in Europe will increase from $130m this year to $3bn in 2002, while in the US they will rise from $406m to $7.2bn over the same period.

The value of gambling in the US is currently put at $550bn per year and at $200bn in Europe.

The legal uncertainties about online gambling have dissuaded the majority of large traditional gambling operators, particularly in the US, from entering the market, according to Datamonitor.

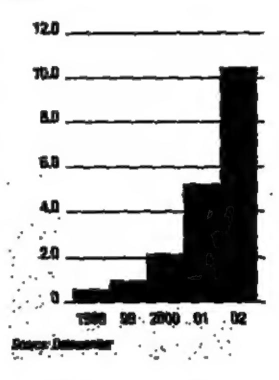
However, this has not been the case with online games, where large corporations, including Microsoft, Sony, and Segasoft are already significant players.

The majority of online games, which include quizzes, card and board games, will be played on personal computers but new technologies, such as online games consoles and interactive digital television have the potential to increase rapidly the size of the online games market.

Datamonitor forecasts that this market will increase from just under $70m to $1.4bn over five years.

Online Games and Gambling 1998-2002: Turning Potential into Profit, Datamonitor Europe, 106 Baker Street, London W1M 1LA, £1,995.

Online gambling revenues
$bn



India planning first commercial satellite launch

By Mark Nicholson in New Delhi

India is planning its first commercial satellite launch next year, aiming to propel two small observation satellites into low orbit via its Polar Satellite Launch Vehicle, according to Indian space research officials.

The South Korean and German-built satellites, both lighter than 100kg, will "piggyback" the planned launch of India's latest remote sensing satellite, IRS-P4.

The officials, at the Indian Space Research Organisation (ISRO) in Bangalore, said only that ISRO would receive "internationally acceptable fees" for carrying the satellites. The launch is likely in January or February next year, they added.

It would mark a first move in ISRO's plans to enter the global market for commercial satellite launches, with the eventual intention of entering the market for carrying high orbit telecoms satellites.

India's 34-year-old space programme has to date focused on developing remote sensing and telecoms satellites purely for domestic needs.

The next launch, PSLV-1C, will carry the 110kg Kitsat-3 remote sensing and experimental satellite developed by South Korea's Satellite Technology Research Centre, along with the 45kg Tubsat remote sensing unit developed by DLR, the German Aerospace Centre.

"It may not mean major money, but it's the first time we're launching someone else's satellite," said S. Krishnamurthy, an ISRO director.

ISRO recently entered a marketing arrangement with Arianespace, the European space consortium, to sell space on future PSLV launches for payloads of up to 100kg, in tandem with further planned Indian remote sensing and mapping satellites.

India has so far launched three domestically-made PSLV vehicles from ISRO's launch base in south India. The rocket can propel a 1,200kg payload to an orbit of 817km.

ISRO is also planning a first experimental launch next year of the first in a new generation of rockets, the GSLV, capable of placing a 2,500kg payload into geosynchronous orbit, at about 36,000km above earth.

Port city planned for Costa Rica

By James Wilson in Panama

An investment group plans to build a new port city the size of Chicago in Costa Rica, turning an empty stretch of the Caribbean coast into a free trade zone for industry and tourism.

The group, OSI Proyectos, is also in talks with the government and other groups about building a "dry canal" rail link to carry container freight across the country.

While both projects are at an early stage, they show how Central America is attracting interest as a strategic location for maritime operations and trans-shipment of containers.

Panama's coast-to-coast railway is to be rebuilt, investors are considering a similar "dry canal" and new ports in Nicaragua, and El Salvador and Honduras have plans to join ports with a road across the isthmus.

Any new ports would seek to capitalise on the size constraints of the Panama Canal, providing the largest ships with a berth where containers could be unloaded and quickly moved across land or on to smaller, feeder ships.

OSI has signed a letter of intent with the Costa Rican government to develop the new city, north of Limón, as a free trade zone for 25 years. The first phase would include a port, dry dock and marine salvage centre.

OSI says later phases, to be built with joint venture partners, would include resort facilities and space for industry and commerce, as well as an airport and homes for up to 25,000. Feasibility studies are expected to last all year.

The "dry canal" railway, a separate venture, would seek to use OSI's port as a terminal. But the idea was dismissed by Don Bosco, who is behind Nicaragua's rival scheme. Previously, Mr Bosco sought to develop a rail link in Costa Rica and said he would try to block any revived attempt.

REGIONAL ECONOMIES 'CONCORDAT' EMERGES AFTER NEGOTIATIONS BETWEEN OFFICIALS FROM ENGLAND, SCOTLAND, WALES AND NORTHERN IRELAND

Deal close on investment poaching claims

By Brian Groom and James Buxton

The government is close to reaching an agreement between ministers in England, Scotland, Wales and Northern Ireland aimed at preventing the alleged poaching of inward investment projects.

However, the "concordat" that has emerged after eight months of negotiations is viewed by some English regional investment organisations as too weak to achieve its aim of avoiding competitive bidding and wasteful use of public funds.

It is a defeat for Margaret Beckett, the chief trade and industry minister, who was asked by Tony Blair, the prime minister, to resolve the issue after complaints from English regions that Welsh and Scottish agencies were poaching jobs by assembling more attractive aid packages than they could.

Mrs Beckett proposed that "indicative offers" of grants to investors should be cleared through her department's industrial development unit, which would be expanded to include representatives from all four areas.

Instead, the committee to be established will not be under the Department of Trade and Industry's auspices. It may be based in the Cabinet Office.

It will have one representative each from the Scottish, Welsh and Northern Ireland offices and the DTI. It may also include officials from the Treasury and the Department of Environment, Transport and the Regions.

The committee will look at total aid packages for big projects, including grants, land, buildings, infrastructure and training. It will take a view on what is reasonable for the type of project and ensure it comes within Treasury and European Union rules.

A region or province would notify the committee if it was pursuing a project of 500 jobs or more. If the committee received more than one notification it would call a meeting and set a suitable level of aid.

A region would have to report what had been agreed with a company so the committee would know if the limit had been breached.

Welsh and Scottish officials, who strenuously deny job poaching, were determined to avoid a DTI veto on projects. They welcomed the deal – to be announced this summer – and said it would make bidding more orderly.

But one English regional official said: "I doubt it will be worth the paper it's written on. The situation will get worse after Scottish and Welsh devolution next year."

Another said it was the lowest common denominator but "a shot has been put across the bows of the Scots and Welsh. I don't think they will step out of line quite so quickly."

He forecast that chairmen of the planned English regional development agencies would reopen the issue next year.

Hooligans deal blow to vision of a modernised nation

England's bid to host the 2006 World Cup must have been harmed by the rioting in Marseilles. **Patrick Harverson** reports

The violence of the past two days in Marseilles has done nothing for England's image overseas at a time when the government is trying to promote the idea of a new, modern Britain. It can also have done nothing but harm England's chances of hosting the World Cup in 2006.

Pictures of drunken men, draped in the flag of St George, wrecking cafes, attacking other fans and setting cars alight is not the image the government wants the world to have of a "rebranded" Britain.

But Alex Fynn, a soccer business consultant and former advertising executive at Saatchi & Saatchi in London, says the government has only itself to blame if the hooliganism rebounds on its efforts to reinvent Britain.

Brands have to provide consistent good values, which means that various parts of marketing have to be under control, he said yesterday. "The essence of branding is control, and yet they have no control over football or over the people who use it for their own destructive needs," he said.

Mark Leonard, a senior researcher at Demos, the think-tank, and an author of its pamphlet, Britain – Renewing Our Identity, said the violence was especially damaging because the attention of the world's media was being concentrated on the World Cup.

"This is exactly the image we dont want to have in other countries," he said. "Its a big problem in that when these sort of things break out they take up a lot of media space. Most people overseas don't think about Britain much, but something like this does make them think and it has a lasting legacy. Look at Heysel [the Belgian stadium where 39 died in a 1985 riot involving Liverpool supporters at a match with Juventus]. It happened more than 10 years ago and people still talk about it."

Mr Fynn agreed that serious harm had been done to England's image, a point which must be apparent to the Tony Blair, the prime minister, who yesterday talked of the disgrace the hooligans had brought to the country. But he – and officials within English soccer – will be more concerned about how the trouble will affect England's bid to host the 2006 World Cup.

Cuffed: a fan is arrested before the England team's match with Tunisia yesterday — Reuters

'The French see that and think the English are crazy. Why do they do that? It is not the English way'

The Football Association, the game's ruling body, is basing its bid partly on the notion that England has cured itself of its hooligan problem, using the relatively trouble-free European championships of two years ago as an example. That claim has now been undermined. As Mr Fynn put it: "It has hurt our chances for 2006 and it deserves to if we cannot control our fans. It's no good saying we can control them at home but we let them loose abroad."

Officially, however, the international soccer authorities were playing down the harm done to the English bid. Keith Cooper, a spokesman for Fifa, football's world governing body, indicated that the violence in Marseilles would have no bearing on England's chances.

Not all British fans have been disgracing themselves abroad. The violence committed by some English supporters has contrasted greatly with the cheerful behaviour of the Scotland fans, who have earned praise wherever they have gone.

Even normally straight-faced Parisians were made to smile by their kilts and songs when they were in the French capital last week.

The French find it difficult to understand what motivates the English hooligans. Yesterday, just before England kicked off against Tunisia, a Parisian taxi driver expressed bemusement at the behaviour of some of the fans in Marseilles. "The French see that and think the English are crazy," he said. "Why do they do that? It is not the English way."

See World Cup page

Ban on march in nationalist area of Belfast

By Jimmy Burns in Belfast

The UK government is to ban several thousand members of the "loyalist" Orange Order from marching through a nationalist area of north Belfast, the Northern Ireland capital, on Friday because of fears of violence.

The move follows yesterday's decision by the advisory Parades Commission that the march should be rerouted because of its "potential for public disorder" six days before elections for a devolved assembly.

The commission sets out in its report the difficulties it faced in weighing up the demands of the Protestant community to conduct a march, to which it considers itself entitled by tradition, and the sensitivities of the local Catholic community, which sees it as an act of provocation.

"This is not a question of conceding territory, or indeed of seeking the permission of others to exercise fundamental rights," it says. "It is a question of how two beleaguered communities with a relationship that is bedevilled by the scars of the past can best share the space available to them."

This parade, like many others, has become contentious because part of the route has seen big demographic change in the past 20 years.

The entire route was predominantly Protestant but now the flashpoint area is mainly occupied by Catholic families.

In 1996 – the last time the so-called Tour of the North took place – the march resulted in a night of running street battles between local Catholics and police.

The decision was welcomed yesterday by Gerry Kelly, a senior official from Sinn Féin, the political wing of the Irish Republican Army, who is standing as his party's candidate in north Belfast.

In recent weeks, Sinn Féin and local residents have been warning that unless the march was banned or rerouted there would be violent protests.

The Orange Order is meeting today to consider its formal response. But Fraser Agnew, an official for the Orange Order, yesterday disregarded the report's criticism of his organisation for refusing to engage in dialogue with local Catholic residents prior to the march. He described the offer as "cynical nonsense".

Minister denies misleading Lords over arms deal

By Andrew Parker, Political Correspondent

A minister yesterday denied misleading parliament about the "arms to Africa" affair, as the government refused to give MPs immediate access to documents about the controversy.

Baroness Symons, a junior Foreign Office minister, insisted she had neither "inadvertently" nor "deliberately" misled the House of Lords. The opposition Conservatives maintained she had misled peers.

Meanwhile, Robin Cook, foreign secretary, told the House of Commons foreign affairs committee it could only have access to Foreign Office telegrams about the affair once an independent inquiry had been completed.

During a Lords debate on March 10, Baroness Symons failed to inform peers about a Customs & Excise investigation into Sandline International, a British company, which denies breaching a UN embargo by supplying arms to Sierra Leone. It claims there was government approval for its activities. During an emergency statement yesterday, Baroness Symons said she did not refer to the investigation on March 10 because it could have prejudiced proceedings.

In another Lords debate on May 11, Baroness Symons was asked when she first learnt of Sandline's involvement in Sierra Leone. She failed to mention she had early sight of the Customs investigation, which by then was public knowledge.

She said yesterday she had not misled peers because in the debate she stated she initially learnt of Sandline's activities from a Sunday newspaper story on March 8.

However, Michael Howard, shadow foreign secretary, said Baroness Symons had failed to offer "any explanation" as to why she "misled" the Lords on May 11.

KYOTO CLIMATE AGREEMENT MINISTER TO SEEK MORE STRINGENT TARGETS FOR BRITAIN AND POOREST EU COUNTRIES

UK to press for tougher emissions curbs

By Leyla Boulton, Environment Correspondent

Britain will today seek tougher greenhouse gas emission curbs for itself and some of the poorest members of the European Union in order to salvage the Kyoto protocol on climate change.

The proposals, made by the UK in its role as holder of the EU presidency, are aimed at finalising a controversial deal allowing member states differentiated targets for achieving collectively the 8 per cent emissions cut agreed at Kyoto.

Britain is suggesting that its legally binding target for cuts be raised from 10 to 12 per cent, while bigger cuts for other industrialised nations should be eased.

It is also seeking a tightening of the caps for the poorest EU nations – such as Portugal – which will be asked to accept a 24 per cent increase in emissions instead of 40 per cent negotiated under a provisional agreement last year.

"It will be a difficult discussion and I make no bones about that," said Michael Meacher, UK environment minister, who will chair a meeting of his EU counterparts in Luxembourg.

The UK believes the big gap between the targets of EU member states undermines the 15-nation bloc's efforts to convince other industrialised countries to take more vigorous action.

Michael Grubb, head of environment and energy at the Royal Institute for International Affairs, warned yesterday that without an agreement among European nations, the Kyoto accord could collapse.

Mr Meacher said the UK government was confident it could meet its proposed target despite its aim of protecting the deep mine coal industry.

Coal generates more carbon dioxide emissions than other fossil fuels.

The details of how Britain will achieve cuts in carbon dioxide, the most important greenhouse gas, will be spelt out in a strategy paper to be published either in July or shortly after parliament returns in the autumn.

The opposition Conservatives when in office had no plans to shore up the coal industry, assumed that coal would continue to generate substantial carbon dioxide emissions up to 2010, the deadline for the climate change targets.

The Labour government has promised measures to achieve a much more ambitious target of a 20 per cent cut in carbon dioxide, compared to 10 per cent pledged by the Conservatives.

A much-postponed transport policy paper will spell out how Britain can reduce its dependence on car use, which accounts for a quarter of carbon dioxide emissions. Later this week, the government will publish proposals for making companies more environmentally sustainable.

PolyGram job fears as record industry seeks new sparkle

News that the A&M label is to be closed underlines the problems faced by the music sector, writes **Alice Rawsthorn**

PolyGram, one of the UK's biggest music groups, is closing its A & M record label as an independent business and redistributing its artists – who include Sting, Sheryl Crow and the Bluetones – among other subsidiaries.

John Kennedy, chairman of PolyGram (UK), said the restructuring reflected the need to cut costs and was not related to the recently-agreed $10.6bn takeover of PolyGram by Seagram, the Canadian drinks and entertainment group.

Seagram plans to merge PolyGram's record labels with its Universal Music subsidiary, but cannot do so until it has received clearance from US and European anti-trust authorities, which could take up to six months. Edgar Bronfman, Seagram's chief executive, is in London today to discuss the merger with PolyGram's UK executives.

Mr Kennedy said because of the anti-trust delay, PolyGram had decided to reorganise A & M now to ensure that artists would have time to adjust before their new albums were released in the busy pre-Christmas sales period.

A & M's London headquarters will close. Some of its 50 employees will move to other labels but the rest will be made redundant, according to Mr Kennedy.

The A & M brand will be retained, but its international acts will in future be handled by PolyGram's Polydor label, and UK signings will move to Mercury Records.

But the changes at PolyGram also reflect the general malaise in the once-buoyant UK music business. In the short term, record companies are dogged by sluggish sales in an unstable market. Over the long term they will have to redefine their roles as consumers increasingly buy music over the internet, rather than from shops.

Retail sales of albums and singles stalled at £1.08bn ($1.77bn) in the year to April, according to the British Phonographic Industry, which represents UK record companies. Anecdotal evidence suggests the market has since weakened.

Record groups are hampered by the strong pound, which has hit royalties from overseas sales

The industry now accepts it can no longer count on established stars to sustain long term success. But sales of albums by critically acclaimed younger acts – such as Pulp, Gomez and Bernard Butler – have also slipped below expectations this spring. The latest issue of New Musical Express, the music magazine, analyses the industry's creative crisis in a cover story entitled "Why British music is going up in smoke".

Record companies are also hampered by the strong pound, which has depressed royalties from overseas sales and triggered a steep increase in parallel imports from mainland European countries with weaker currencies.

Slack sales and rising marketing costs have intensified pressure at a time when the retail sector is destabilised by the recent demerger of HMV, the record retailer, and the imminent sale of Virgin/Our Price, the music retailing group.

Many companies have cut costs. Warner rationalised its East West label and is closing its distribution centre to pool resources with Sony. EMI, still bruised by the collapse of bid talks with Seagram, has reshuffled its senior management and folded the Chrysalis label into its EMI (UK) operation.

Executives are braced for further cuts this summer, in the run-up the PolyGram merger. The industry has had tough times before, but some observers suspect a prolonged decline is around the corner.

The distribution of music over the internet is one issue. Once legal and technical controls are in place, record companies should profit from this by selling directly to consumers, cutting out retailers.

Until then, they will become increasingly vulnerable to internet piracy. Ligital distribution will also enable musicians to release their own material. This is likely to appeal to younger acts who have grown up with computers and may prefer to circumvent the establishment.

Record companies claim that digital delivery will only appeal to a few fringe acts and their lucrative superstars will still need their marketing skills. But there is a trend for stars to turn to managers and publicists for strategic advice. The Spice Girls did this in their heyday, when Simon Fuller orchestrated their rise.

The financial relationship between stars and labels may also change. After the success of last autumn's $55m bond issue against David Bowie's future royalties, investment banks, including Nomura and Morgan Stanley, have been trying to persuade musicians to accept loans from them, as an alternative to record company advances.

These changes are unlikely to herald the end of record companies as we know them, but they may erode their traditional dominance of the music market.

NEWS DIGEST

GOVERNMENT

Ministers advised by 350 business chiefs, says report

A report from Cranfield University shows that 350 business leaders are now advising ministers on policy development, through their representation on a myriad of taskforces and review groups. The Task Force Revolution says the Labour government has set up than 75 such bodies since the general election, covering areas ranging from the private finance initiative and disability rights to music and soccer. It says business is represented on most of the big taskforces, and has the chair and a majority of members on bodies looking directly at industry issues. Star performers include Sir Terence Conran, the designer and restaurateur, who advises on competitiveness and Lord Rogers, the architect, who sits on an urban regeneration taskforce.

Although recruitment comes from a variety of sectors, the majority are from senior management and FTSE 100 companies. Trade unions are also represented, but mainly on taskforces concerned with work related issues.

"It demonstrates Labour's commitment to partnership working and opening up the Whitehall machine," the report says. "The notion would have been anathema to many ministers in the previous Tory administration." **George Parker, London**

TEXTILES

Employers back call for show

The Confederation of British Industry, the employers' lobby, has thrown its weight behind a campaign to bring one of the world's biggest industrial exhibitions to the UK for the first time. It is asking Margaret Beckett, the chief trade and industry minister, to back a bid by the British Textile Machinery Association to stage the ITMA textile equipment exhibition at the National Exhibition Centre, in Birmingham, in 2003. The show, held in Europe every four years, normally attracts about 150,000 visitors. For the event in 2003 they are expected to spend about £300m ($492m) in the host country on hotels, meals, transport and other activities. The world's textile equipment business has sales of about £8bn a year. It supports a global textile and clothing industry with annual revenues estimated at about £200bn.

Britain was an early pioneer in textile machinery following advances in the industrial revolution 200 years ago. But more recently companies in Switzerland, Germany and Italy have taken the lead. **Peter Marsh, London**

LONDON UNDERGROUND

Union strike claims disputed

The RMT rail union and London Underground clashed last night over the impact of the first day of a 48-hour strike which cut Tube services and closed some stations. London Underground said between 60 and 70 per cent of trains ran in the morning rush hour, with some lines reporting a normal service despite the strike by RMT members, which is due to end this evening.

The RMT accused managers of "grossly exaggerating" the number of trains that ran and said there had been a solid response from workers to the strike, called because of concerns about job security.

Denis Tunnicliffe, chief executive of London Transport, said: "We regret failing to offer passengers anything less than 100 per cent, but . . . we have been greatly encouraged by the high level of service." **Andrew Bolger, London**

MANAGEMENT

INTERVIEW BOB HERBOLD, MICROSOFT'S CHIEF OPERATING OFFICER

Different job, same problems

The man who looks after the nuts and bolts at Microsoft (and collects the biggest salary) tells **Tony Jackson** that marketing is the key, whether the product is soap or software

What kind of an outfit is Microsoft? Most of us have a snap answer: the world's finest company or Bill Gates's evil empire, depending on the point of view. But what is Microsoft like to run?

These days, the question is scarcely one for Mr Gates. He is too busy mapping the future of technology, or fending off the US antitrust authorities. So step forward Bob Herbold, Microsoft's chief operating officer.

Mr Herbold is not exactly a household name, being neither a Microsoft founder nor a whizzkid programmer. He is a 55-year-old veteran of the consumer products group Procter & Gamble, who joined Microsoft less than four years ago.

He is also, on the latest available figures, Microsoft's highest-paid employee, with a salary and bonus double Mr Gates's at $1.2m. But his shareholding is worth only around $10m, which in Microsoft terms makes him practically a pauper.

His job, he says cheerfully, is to take care of the nuts and bolts: driving down costs, closing factories, cutting expenditure on marketing and administration. "It so happens I love those things," he says. "Others might not. Bill wants to focus on the technology, and that is where he is most valuable."

Mr Herbold is at his most illuminating in comparing Microsoft with his former employer. US high-tech companies can easily seem remote from the rest of the corporate world. But many of their problems, it seems, are the same as everyone else's.

Mr Herbold's last job at Procter & Gamble was head of marketing. For Microsoft too, he says, marketing is crucial. But it takes different forms.

"In the consumer products industry", he says, "the measurement device is market research – blind test studies of product A versus product B. In this industry it's all about reviews in the trade press."

He has in mind such publications as Computer World, Info Week and PC Magazine. "What you do is say, hey, that's the product area I want to focus on, then get it right. If you win those reviews, market share points come flying your way."

It sounds a curiously limited approach. Quite the reverse, he says. "One of the things about the technology business compared to consumer products is the marketing task is much, much broader."

In consumer products, he says, marketing comes down to one thing: communicating an image of the product via television. "That's 90 per cent of your marketing dollars. You have to be extremely good at isolating the message, and you have to pound it home: leadership in dental health with Crest, or in detergents with Ariel."

> **His job is driving down costs, closing factories, cutting expenditure on marketing and administration. 'It so happens I love those things,' he says**

In technology, by contrast, companies have to be good at print advertising, technical PR, direct marketing and staging events.

"You have to be much more a jack of all trades. You end up with marketing people who don't have nearly the depth in any one of these areas as you would in consumer products. One's not better than the other, they're just different."

The next crucial area, for both companies, is attracting and retaining personnel. Here, one would expect a difference: for in the software business, legend has it, your job depends on which driveway you turned your car into that morning.

"It may come as a surprise to you", he says, "but the attrition rates of the two companies are virtual duplicates – in the range of 7 to 7.5 per cent. Procter & Gamble is just a little lower than the average in its industry, and Microsoft is a lot lower."

Why should this be? His answer is a touch obvious: that people like working for Microsoft. As he also concedes, the company's image as the evil empire might mean recruits are self-selecting. "But there's an incredible shortage of talent right now," he adds. "And our acceptance rates continue to be very high."

One clear distinction between Microsoft and P&G is in internal communications. Superficially, he says, Microsoft might appear an unusually flat organisation. In reality, this results from its informal approach to problem-solving.

"The only way we communicate with each other, on a global basis, is by e-mail. That's in stark contrast to a Procter & Gamble. There, most of the communication is written. It goes up and down a level, and it's relatively slow compared to this industry."

Speed also means confrontation. "At Procter & Gamble, it might take four rounds of communication for you to find out that I'm really upset about something. At Microsoft, we pride ourselves on getting to the point."

What about the subject closest to Mr Herbold's heart, cost-cutting? Plainly, the theme is common to both companies: but there is a difference of emphasis.

"In this industry", he says, "the principle is to drive up the percentage of money you're spending on R&D, and pay for it by getting efficiencies in sales, marketing support and G&A [general and administration]."

Thus, he is proud of having driven marketing costs down from 11 per cent of sales three years ago to 9.8 per cent last year. Sales support has gone from 5 per cent of sales to 3 per cent.

"We've put a lot of our knowledge base out on the internet. Today, 80,000 people go to that. Two and a half years ago, we would get 20,000 phone calls a day. Today we get the same, while revenue has gone up significantly."

Meanwhile, the costs of goods sold – raw materials and so forth – has dropped from 16 per cent of sales to below 10 per cent. Much of that, Mr Herbold says, is due to advances in technology, such as the switch from floppy disks to CD-Roms. Also, he says, the trick is not to get stuck with fixed assets. In the past three years, he has got rid of all Microsoft's manufacturing plant.

There is one final question which one cannot resist asking: how do the two companies compare in their own use of technology? It is a question Mr Herbold is uniquely qualified to answer: he has a PhD in computer science, and was for a while P&G's chief information officer.

"The thing Microsoft does well", he says, "is to get behind a theme it wants to achieve." In practice, this means getting agreement from a handful of individuals at the top, particularly Mr Gates and Steve Ballmer, head of sales.

Take the installation of SAP, the enterprise-wide software package. "At Procter & Gamble, I did that the long, hard, expensive way. The CEO wouldn't participate in any of those decisions, so you got massive misbehaviour in the business units."

Compare Microsoft: "I'll say, look: we're going to define our accounts globally, and define these templates for looking at our business. Steve, do you buy in? Yup. Bill? Yup, I'm in.

"So we're going to drive the whole thing globally, and it's all going to sit on one server in Redmond. Now the Germans have to act like the French, in terms of thinking about their business. They can't try to fool you. It's incredible power. That's how you drive efficiency."

Driving efficency: in three years Bob Herbold has got rid of all of Microsoft's manufacturing plant

Brendan Corr

HUMAN RESOURCES STAFF DEVELOPMENT

DuPont alliance gets the measure of training

The US chemicals company tried a new approach by forming an insourcing arrangement, writes **Andrew Bolger**

When DuPont took a hard look at its training provision, the US chemicals group was startled to find it offered employees no fewer than 54 time management courses.

That unwelcome discovery was made in 1993, when the group was engaged in a huge re-engineering effort to cut its costs by at least $1bn.

"While the rest of DuPont plunged headlong into re-inventing itself, we were stuck in the same old training paradigm," says Edward Trolley, DuPont's training and development manager at the time. "Our catalogue offered thousands of open-enrolment courses, accumulated over many years.

"Worse yet, we could offer no proof that any course in the catalogue delivered real business value because we measured our levels of activity – for example, number of managers trained – rather than our business impact. Our choice was clear – evolve or perish."

DuPont managers said they would like to see training run more like a business. Executives complained that training was allocated to them as an annual fixed cost, over which they had little control.

DuPont considered bringing in staff to help measure training value. But that did not offer any way of transforming fixed costs into variable costs. It also considered outsourcing training and development but was concerned about possible loss of continuity and control.

DuPont finally decided to create a "strategic insourcing" alliance with Forum, a Boston-based international training and consulting organisation. The aim was for the alliance to operate as a variable-cost, value-adding business. Some DuPont staff were seconded to work for the alliance, with the understanding that after a year they would become Forum employees.

The Forum/DuPont partnership first asked DuPont executives about their needs – not training needs, but business issues, such as market share, customer retention and cost containment.

The alliance works on a contract basis with DuPont's business units, which can now make their training costs fully variable and make their own cost/value decisions before engaging the alliance in work.

DuPont is billed weekly for all training and development activity.

"The saving alone in the aggregation of this billing process is remarkable," says David van Adelsberg, Forum's executive vice-president. "The internal cost to DuPont of paying one invoice is $150. It was paying thousands of these invoices each month – they now pay three."

One of the alliance's initial projects has been to help the global business manager of DuPont's Lycra business increase its annual revenue by $100m above existing forecasts.

The alliance created a learning system, classroom-based and on the job. It worked with sales managers and salespeople to enhance their capability to sell more Lycra, to ferret out customer requirements and to understand why customers might go to a competitor.

After 12 months, DuPont had generated $84m of Lycra sales in addition to its baseline forecasts. Mr van Adelsberg says: "We went back to the people who ran the business and asked: 'To what degree would you attribute the activities with which we collaborated on to this outcome?' They said to us: 'We think we got half the revenue as a direct result of what you did.' We said: 'Let's assume you only got 25 per cent'. So we cut the $84m to $20m. When you compare what they spent on training and on people's time, the investment return was over 50 times."

Having formed similar insourcing alliances with a variety of US organisations, Forum has been promoting this approach in Europe for a year. A survey by Forum found that 75 per cent of the UK's biggest companies do not have satisfactory systems to measure training effectiveness. What return companies get on their investment is a pertinent question, since more than £10bn is spent annually in the UK on training – and in the US the figure is estimated at $56bn.

In an earlier survey conducted by Forum Europe, the measurement of training's value was senior executives' main human resources priority. Yet it was the issue to which training professionals dedicated least time.

Mr van Adelsberg concludes: "The issues are precisely the same, whether one is talking to senior executives in the US or in Europe. The real thing is they have no idea what they are getting back from their expenditure on training."

PEOPLE ON THE MOVE

Woitschätzke to oversee flotation of Bally

Bally, the troubled luxury shoe brand owned by Swiss conglomerate Oerlikon-Bührle, changes its top managers almost as frequently as its shoe designs. Hans Woitschätzke, 58, a German management consultant, is the latest company troubleshooter to be given the chance of trying to turn round one of Switzerland's best known luxury brand names.

Woitschätzke has a Harvard MBA and a track record in the consumer goods industry. He founded Trak, a US sporting goods company, was responsible for turning round Escada, a German fashion group, in the early 1990s, and has been chairman of the executive board of Puma, the German sports goods company.

However, his predecessor, Ernst Thomke, Switzerland's best-known company doctor, had an equally impressive track record, but he quit last August after falling out with Hortense Anda-Bührle, OB's biggest shareholder. Since 1993 Bally's sales have fallen from SFr1,059m ($721m) to SFr937m and operating profits have dropped from SFr71m to nil last year. The workforce is less than half its 1991 level at under 4,000; seven of the 10 factories and half of the 500 Bally-owned stores have been closed.

Woitschätzke has been appointed chairman of Bally and will oversee its planned flotation on the stock exchange. He will be assisted by fellow German Bernd Wahler, 39, who was brought in from Adidas late last year, to be responsible for Bally's operational management.
William Hall, Zurich

McDonough to chair Basle Committee

William McDonough, president of the Federal Reserve Bank of New York, has been appointed chairman of the Basle Committee on banking supervision.

McDonough will take over from Tom de Swaan at the head of the committee, which operates under the wing of the Bank for International Settlements in Basle and sets widely accepted standards for bank capital adequacy and supervision.

De Swaan, who had chaired the Basle committee since April 1997, resigned recently as an executive director of the Netherlands central bank to join the management board of ABN Amro, the private sector bank.

McDonough, 63, joined the Fed in 1992 after spending much of his career with the First Chicago commercial banking group. As president of the New York Fed he is a permanent member of the Federal Open Market Committee, which sets US monetary policy.

He is currently chairman of the BIS's committee on payment and settlement systems, where he is leading the fight to ensure the financial sector is prepared to deal with the millennium bomb, but is expected to resign from that seat in due course.

As chairman of the Basle Committee, he is set to preside over a period of significant change in banking supervision, including the overhaul of the committee's 10-year-old capital adequacy framework and the extension of its core principles on banking supervision to countries around the world.

● The Dutch Central Bank has appointed Arnold Schilder as executive director to its governing board as from July 1. Schilder will be responsible for supervising the Dutch banking industry. He replaces Tom de Swaan. Schilder is currently an audit partner, international practice, at Coopers & Lybrand in the Netherlands.
George Graham, London

BBH promotes Lynch to Europe head

Brown Brothers Harriman, one of the last remaining significant private partnerships on Wall Street, has appointed a new manager for its European operations.

Hampton Lynch, formerly head of the firm's overall operations, has been appointed executive chairman of the firm in London. He replaces the much-travelled Alexander Ercklentz, who returns to the firm's head office in New York.

Lynch, a partner, hopes to expand its six core activities in Europe with an emphasis on global custody, brokerage and the fledgling private equity market. He has spent the past three years focusing on developing the group's technology and other systems but has also worked in its international division. He arrived in London last week and started work yesterday.

BBH is one of the US's leading providers of non-controlling private equity, or venture capital, products through its 1818 funds.

The group, founded in 1818, also operates in investment management, commercial banking and corporate finance mainly in the US.

BBH was the first New York bank to introduce mechanical bookkeeping on its customers' accounts and is now the only substantial US commercial bank to remain a private partnership.
Jane Martinson

Jarai to advise Bank of Hungary

Zsigmond Jarai, president and chief executive officer of ABN Amro Bank in Hungary, is to leave the bank at the end of June to become adviser to Gyorgy Suranyi, president of the National Bank of Hungary.

Jarai is expected to become part of the central bank's team preparing for Hungary's European Union membership. The unit will be examining issues related to the introduction of a universal banking system, the modernisation of information technology, and banking regulation.

Jarai has spent more than three years managing the turnaround of ABN Amro Hungary, from the overstaffed, rather directionless Magyar Hitel Bank to an aggressive ABN Amro subsidiary in the increasingly competitive Hungarian market. During his tenure it was privatised in 1996.

Jarai was one of the Budapest Stock Exchange's founding fathers in 1990, and remembers with a chuckle the days when it was illegal to mention the words "security" or "share". He will stay on as chairman of the bourse, a post he took in 1996. He left Hungary in 1990 to try his luck in the City of London. At the time, the border guards were perplexed, he says. "There was no form to regulate just leaving." He landed a job with James Capel as director for eastern Europe, before returning in 1993 to head up a branch of Samuel Montague in Budapest.
Kester Eddy

Moving places

● SOUTH AFRICAN AIRWAYS has appointed Coleman Andrews chief executive. He replaces Mike Myburgh. Andrews co-founded Bain Capital, the Boston-based venture capital fund.

● Italian life insurer ALLEANZA ASSICURAZIONI has named Sandro Salvati chief executive. Salvati fills a post that has been vacant since Alleanza chairman Alfonso Desiata gave up the chief executive position when he became the head of insurance association ANIA last year.

● ISUZU MOTORS, Japan's largest truck maker, will promote executive vice-president Takeshi Inoo to the position of president on June 26. Kazuhira Seki, the automaker's current president, will become chairman.

● Investment bank MORGAN STANLEY DEAN WITTER has appointed C. G. Wu as managing director and head of investment banking for China. Wu was head of Bank of China International Holdings in London, the international investment banking subsidiary of the Bank of China.

GROUP G ENGLAND 2 TUNISIA 0

Hoddle's men off to a flyer

By Peter Aspden

England's World Cup campaign, already stained by violence, had a happier start on the pitch when Glenn Hoddle's team beat Tunisia in Marseilles yesterday.

A typical goal from England captain Alan Shearer, and a superb one by Paul Scholes – straight out of the Paul Gascoigne manual – gave Hoddle exactly the solid platform he was seeking.

Although delighted with the win, he felt his team might have scored more. "I thought we could have won by three or four goals but it was a fantastic performance from the boys and a great start for us."

Scholes's goal in the 90th minute of the game, a superbly curled shot into the far corner, was particularly cheering.

Hoddle was looking for a flash of inspiration from the Manchester United midfielder after the decision to drop Gascoigne, England's outstanding creative player, from his squad. The goal capped a fine performance from Scholes.

Hoddle will also take heart from Shearer's typically rugged performance and the ruthless exploitation of the only chance that fell to him just before half-time, when he flicked Graeme Le Saux's fine curled free kick in off the far post.

As predicted, Tunisia proved stubborn opponents. England struggled to find any rhythm for the first 30 minutes, unable to force the pace against a side that packed its defence and had clearly been instructed to take every opportunity to slow the game down.

Indeed, had Skander Souayah made the most of a clear shooting chance in the fourth minute after Adel Sellimi had slipped past Tony Adams and squared the ball, England's task would have been made even harder. But Sol Campbell reacted quickly to get a saving tackle in, and Tunisia funnelled back into their own half to concentrate on defence.

The game's turning point came on the half hour, when Paul Ince played a one-two with Teddy Sheringham and sprayed the ball out wide to Le Saux. He delivered a perfect cross to Scholes who headed downwards but straight at goalkeeper El Ouaer.

The move – England's best by far – seemed to galvanise the team, and five minutes later Sheringham hit a spectacular volley on the turn, which El Ouaer did well to tip over the bar. Sheringham then linked well with Darren Anderton on the right wing and his precise cross was met at the near post by Scholes, who failed to provide the killer touch and allowed El Ouaer to save his mis-hit flick.

But just minutes later Shearer was fouled near the right touchline, not for the first time, by his man-marker Sami Trabelsi. He jogged into the box and was on hand to head Le Saux's free kick past the Tunisian keeper.

In the second half, Tunisia had to chase the game and managed to cause the England defence one or two problems, notably when substitute Tarek Thabet headed wide from an excellent position. But England, too, should have increased their lead, when Tony Adams pounced on a loose ball, but El Ouaer again saved bravely.

A break from midfield gave Sheringham the opportunity to lay on a clear chance for Anderton, but his over-hit pass looked tired. This was the cue for Hoddle to bring on Michael Owen, who showed enough sharpness to suggest that he is being saved for later, and possibly greater, things.

On target: England's Paul Scholes caps a fine performance by scoring at the end of the game Reuter

England: Seaman; Southgate, Adams, Campbell; Anderton, Batty, Ince, Scholes, Le Saux; Sheringham (Owen), Shearer.
Tunisia: El Ouaer; H Trabelsi (Thabet), Badra, Boukadida, S Trabelsi, Clayton; Chihi, Souayah (Beya), Ghodbane; Ben Slimane (Ben Younes), Sellimi.

HOOLIGANISM

Drunken fans run riot on beach

Crowd violence yesterday broke out for a second day in Marseilles, as opposing fans hurled rocks and bottles at each other during England's match against Tunisia.

The worst of the violence centred on the Plage du Prado, a city beach, where a giant screen had been set up for fans to watch the game. Trouble began in the public enclosure on the beach when drunken England supporters threw bottles at the crowd following England's first goal.

The violence quickly spread, with fans smashing windscreens and hurling projectiles across the Avenue du Prado, a main Marseilles artery. Running battles between fans resulted in numerous injuries before police using tear-gas brought the situation under control.

Other skirmishes occurred outside the stadium before the game, but a heavy police presence helped ensure that crowds dispersed peacefully afterwards.

Jean-Pierre Chevenement, the French interior minister, yesterday approved measures to automatically expel foreign trouble-makers. Under the emergency measures, offenders can be expelled by police without appearing before a court.

The British government has said it would support any measures taken by France to deal with the hooligan invasion.

Marseilles has always been a football town, but it has never seen the kind of soccer violence that has marred the past two days.

On Sunday night fans from the city's large Arab population saw on television the Tunisian flag being burned by England supporters during scuffles at the old port.

Tunisians were not the only ones to take offence. Whatever their origins, people in Marseilles look at Tunisians as part of their own Mediterranean culture, and at the English as the invaders.

"This is our home," said one Tunisian immigrant as he ducked beer bottles thrown by bare-chested English fans. "The English cannot just come in and burn our flag and smash our shops."

Many of those chasing English fans through the streets were French.

Officials recognise the role played in the Marseilles disturbances by heavy drinking on both sides. Large quantities of beer had been consumed on the Prado beach since early morning.

By noon city authorities had announced a ban on all sales of alcohol from 4pm, the early evening closing of bars, and the cancellation of some of the evening's planned festivities.

Nicholas Woodsworth

FRANCE 98 DIGEST

JAMAICA

Party pleasures ease the disappointment of defeat

Jamaicans need no excuses to throw a party. They started before Sunday's first-round match against Croatia, and continued into yesterday morning. Never mind the 3-1 loss. Appearing in the finals in France was reason enough to celebrate. Yet there is some disappointment at the result against what is widely acknowledged to be one of the better teams in the finals. Many Jamaicans will accept the philosophical assessment by Rene Simoes, the team's coach: "Jamaica does not lose. Jamaica is the winner because Jamaica always learns." The more analytical observers in Jamaica yesterday wondered at the sudden switch from the 5-3-2 formation that Simoes has used over the past three years to a 4-4-2 formation on Sunday. The move was doubtless influenced by the continuing injury to Linval Dixon, a key defender. And all in Jamaica readily accept that the defence, while being strong when on form, is given to momentary and fatal lapses, as was evident in two of Croatia's three goals.

"Although we did not win, we were not disgraced," says Vernon Bell, a football analyst, capturing the general view in Jamaica. "Had we marked better defensively, we could have had a better result." The streets are likely to be deserted again on Sunday when Jamaica play Argentina – expected to be a tougher assignment than Croatia. But Jamaicans are nothing if not optimistic. They expect the team to play better, but are open to the possibility of another defeat. Already Jamaica's path to the next round has been charted in Kingston – never mind what Simoes is planning in France. The forecast is for a draw against Argentina while Japan defeat Croatia and both lose to Argentina.

But even if this plot fails, much has already been achieved, says Leachim Semaj, a social psychologist: "The team's appearance in France has helped to heal wounds caused by politicians," he says. "Politicians have divided Jamaicans into rival factions. Now football has united us. Jamaicans now stand for the national anthem and proudly wear the national colours."

Plans are already being made for Sunday's parties. The national sentiment is that the loss to Croatia, and possible defeat by Argentina, will not matter. Just by appearing in a French football stadium this week the Reggae Boyz have scored a memorable victory. "We have done what has not been achieved by some countries which are 100 times our size," says Semaj. Canute James

IN BRIEF

Nike drops 'fascist' posters

Nike, the sports goods company, said yesterday that it was withdrawing posters featuring the former footballer Eric Cantona from its World Cup fun park in Paris, after a French anti-racist group said they smacked of fascism. Nike's posters used stark 1930s-style graphics, including a dictator-like image of Cantona, and slogans such as "Young people of the world, football is calling you! Come and join us."

● Eight television sets have been provided in Cameroon's Yaoundé central prison, so that inmates can follow their team's progress. Prison administrator Pong Moni has also suspended hard labour for the duration of the finals.

● Morocco's Crown Prince Sidi Mohammed has extended an official visit to France to attend today's Group A match between Morocco and Brazil in Nantes.

● Dutch forward Dennis Bergkamp is likely to be in the starting line-up for Holland's game against South Korea on Saturday. "We will be giving Dennis a tough work out on Wednesday and then look at the situation on Thursday, but we're going on the basis of Bergkamp starting," says team coach Guus Hiddink.

TODAY'S GAMES

● **SCOTLAND V NORWAY, 17.30*, BORDEAUX, GROUP A.** On the evidence of their well organised opening display against Morocco, the Norwegians will be no pushover. But it is do or die for bottom-of-the-table Scotland, who must win if they are to have a chance of reaching the next round.

● **BRAZIL V MOROCCO, 21.00, NANTES, GROUP A.** The champions' disappointing opening game means Morocco could fancy their chances of taking a point. It will be the shock of the tournament so far if they succeed.

**Local kick-off times (GMT + 2 hours). One hour earlier in UK.*

NUMBERS SO FAR

Goals total	35	Sendings off	3
Bookings	48	Penalties	2

For latest World Cup news
www.FT.com/worldcup98

GROUP G ROMANIA 1 COLOMBIA 0

Colombians live up to low expectations

David Owen and **Simon Kuper** find the team shaking off a death that haunts them

Ivan Ramiro Cordoba, 21, is far from a household name in world football. He did not even make the starting line-up for his country's first France 98 match – Colombia's defeat yesterday against Romania.

Perhaps if he had, the team would have played better. He would at least have brought down the average age of a side that looks too old for the party at this World Cup.

But the spring-heeled Colombian defender must face up to a unique sort of pressure as his football-mad country competes in its third consecutive World Cup final tournament.

Cordoba, nicknamed "The Kangaroo" for his ability to outjump much taller men and "the gentleman of the penalty area", has inherited the number two shirt worn four years ago in the US by Andrés Escobar.

This elegant footballer, also seen as a soccer-playing gentleman, was murdered shortly after his side's surprising first-round elimination. His supposed crime? Scoring an own-goal in Colombia's 2-1 defeat by the host nation.

Escobar's death is a grisly, and thankfully isolated, reminder of the madness that can ensue when sport is taken too seriously. Colombia, with its violent history and status as the world's biggest cocaine exporter, might seem the natural place for such a killing to occur. But, as ever more money floods into the game worldwide, the stakes are getting higher everywhere.

Given the penalty for failure in 1994, some observers might fear the worst for the players following yesterday's tame performance against the team that also ensured Colombia's 1994 campaign got off to the worst possible start by beating them 3-1.

But there is one key difference between France 98 and USA 94. Four years ago the side was burdened with sky-high expectations; this time, even before yesterday's disappointment, little was expected of them.

Perhaps this explained the relaxed mood during the squad's last run-out before the Romanian game at Lyons' distinctive Gerland stadium.

Carlos Valderrama, the 36-year-old playmaker, juggled a ball nonchalantly with the outside of his right boot. Players took snapshots of each other. The moustachioed coach Hernán Darío Gómez tiptoed his way gingerly through the geraniums decorating the ditch around the Gerland pitch to give impromptu interviews to reporters.

Caution was still apparent in Gómez's decision to protect Valderrama's ageing legs yesterday by stringing five players across the midfield, leaving Faustino Asprilla to labour alone up front, where he was brilliantly marked by Iulian Filipescu.

The Parma striker gained a friend after half time, however, when Adolfo Valencia replaced Victor Aristizabal, who had been understandably off colour after receiving death threats.

Speed off the mark: Faustino Asprilla (left) of Colombia and Romania's Iulian Filipescu chase for the ball Reuter

Valencia, although often clumsy, allowed Colombia to hold the ball in attack. Valderrama, a symbolic presence in the first half, revived the traditional Colombian short passing game. Had Valencia not fluffed two Asprilla crosses, Colombia might have stolen a point.

But this cannot be their year. Romania, with no obvious weaknesses, stand a better chance, although they must never again relax as thoroughly as they did in the second half yesterday.

With their young striker Adrian Ilie – strong, quick, balanced, almost a European Marcelo Salas – they created several open chances in the first half. Ilie scored one just before half time, a perfect chip over Farid Mondragon, and nearly had two more.

Only Romania's legendary playmaker, Gheorghe Hagi, now 33, disappointed. Surely, England and Romania will qualify from this group.

GROUP TABLES

	P	W	D	L	F	A	Pts
GROUP A							
Brazil	1	1	0	0	2	1	3
Morocco	1	0	1	0	2	2	1
Norway	1	0	1	0	2	2	1
Scotland	1	0	0	1	1	2	0
GROUP B							
Italy	1	0	1	0	2	2	1
Chile	1	0	1	0	2	2	1
Cameroon	1	0	1	0	1	1	1
Austria	1	0	1	0	1	1	1
GROUP C							
France	1	1	0	0	3	0	3
Denmark	1	1	0	0	1	0	3
Saudi Arabia	1	0	0	1	0	1	0
Sth Africa	1	0	0	1	0	3	0
GROUP D							
Nigeria	1	1	0	0	2	2	3
Paraguay	1	0	1	0	0	0	1
Bulgaria	1	0	1	0	0	0	1
Spain	1	0	0	1	2	3	0
GROUP E							
Mexico	1	1	0	0	3	1	3
Holland	1	0	1	0	0	0	1
Belgium	1	0	1	0	0	0	1
Sth Korea	1	0	0	1	1	3	0
GROUP F							
Yugoslavia	1	1	0	0	1	0	3
Iran	1	0	0	1	0	1	0
Germany	-	-	-	-	-	-	-
US	-	-	-	-	-	-	-
GROUP G							
England	1	1	0	0	2	0	3
Romania	1	1	0	0	1	0	3
Colombia	1	0	0	1	0	1	0
Tunisia	1	0	0	1	0	2	0
GROUP H							
Croatia	1	1	0	0	3	1	3
Argentina	1	1	0	0	1	0	3
Japan	1	0	0	1	0	1	0
Jamaica	1	0	0	1	1	3	0

THE ARTS

PHOTOGRAPHY THE NEW V&A GALLERY

For magical moments, look to the pioneers

The Victoria & Albert Museum has been closely engaged with photography since its earliest days. An Englishman, Henry Fox Talbot, had made the first successful experiments, with sensitised paper and a camera obscura, in 1835. This was the very year when a *select committee under William Ewart was set up* "to inquire into the best means of extending knowledge of the Arts and the Principles of Design among the People... of the Country". A persuasive witness was one Dr Waagen, director of the Royal Museum in Berlin, who argued among other *things for a museum of British* art, special exhibitions and regular purchases from working artists. The upshot was a recommendation that led eventually to the creation in 1856 of the V&A at South Kensington.

Its first director was Henry Cole, who at once saw the value of photography both as art and a curatorial and educational tool. By 1858 he had already acquired nearly 9,000 prints and put on the first international *exhibition of this* "independent art". He appointed Roger Fenton, whom we now recognise as one of the greatest photographers, as resident photographer, thereby rooting the photographic col*lection in the museum's own* documentation. And by a nice irony, only last week Dr Wolf-Dieter Dube, the present general director of the Berlin State *Museums and* one of Dr Waagen's succes*sors, was pressing for the* urgent provision of a photography museum.

The V&A is not, of course, the British museum of photography, but with a holding of something over 300,000 prints and embracing the entire history of the medium, it is one of the two or three great collections of the world. *The provision* now, therefore, of the space *not just for temporary exhi*bitions but for the rolling presentation of the core collection, is of real importance. That so welcome a development should yet again rely upon corporate benefaction is simply the way things now are, and serves to mark *the underlying indifference* and neglect that have characterised the policies of successive British governments towards museums.

The gallery's first display is arranged both chronologically and thematically in small, choice groups that *lead finally to a space* reserved for current practice and temporary exhibitions. And one has to say that the earlier groups are the more enthralling. For, in this country at least, it has been *at the V&A that the critical battle for photography* as an authentic form of art has been largely fought and won. Cole must have thought that it was won by the 1860s, with a show in 1865 of the then current work of Julia Margaret Cameron; but then the medium was neglected, and *critical interest only* resurrected a century later, in the late 1960s and early 70s with a series of exhibitions of the work of such modern master photographers as Cartier-Bresson, Ansel Adams and *Bill Brandt. And the paradox, which even so swift and* sweeping a view as this now lights up, is that it is the pioneering work, disciplined by cumbersome equipment and technical limitations, pre-occupied with method and practice, that so often produces the more imaginatively profound and beautiful results. It is the most modern work, freed for Art by every technical advance, that seems the more self-conscious and banal.

The first section covers *the earliest times and the initial rivalry between J-L-M.* Daguerre's eponymous Daguerreotype, a one-off process on metal, and Talbot's Calotype, by which images were taken from a paper negative. The two inventors announced their discoveries within a week or two of each other in the *January of 1839*, and it is a daguerreotype of that year, attributed to a Frenchman, M. de Ste Croix, but of an English subject, that is the earliest work in the collection.

Other fabulous images low: lace by Talbot (1841); a simple standing nude by Watson (1855); Fenton's Roslyn Chapel (1856); Clementina Hawarden's daughters at a window (1860); an Emerson rural landscape (1889); a languid Mrs Patrick Campbell by Hollyer (1893); *Atget's Paris doorway (1903)*; Brandt's air-raid shelter (1940); Penn's Harlequin fashion model (1950), and Deakin's battered Francis Bacon (1952); so on and on. And yet, above them all, *how strangely potent, magical, that first, rather scruffy* image is, looking down Whitehall, past Charles I on his horse, there where he still sits, with the line of cabs waiting quietly in the shadows, and so beyond into the sunlit street, and another world.

William Packer

The Photography Gallery at the V & A, and its five-year display programme, are sponsored by Canon UK.

Full of fabulous images: Mrs Patrick Campbell by Frederick Hollyer, c. 1893

True Handel at its heart

'Rodelinda' is a musical triumph, but **Andrew Clark** has reservations about the Glyndebourne production

All human life is there: the slogan which used to advertise the salacious contents of *the News of the World* would be an equally apt summary of *Rodelinda*, the first of Handel's Italian operas to be staged at Glyndebourne. Sexual favours, sexual harassment, betrayal, grief, longing, anger, revenge – they all course through this moving tale, *in which individuals* confronted by extreme situations invariably discover flaws in their own character.

What is so striking about *Rodelinda* is that its personalities and dilemmas are part of our own world: we can see them in any arena in which power is up for grabs. The libretto, fashioned by Nicola Francesco Haym from an existing opera text about Lombard kings, is a model in itself: it shifts the emphasis *from the political to* the psychological, from the local to the universal. *All that* remained was for Handel to give it an emotional heart – which he did, in a score that brilliantly adapts musical form to theatrical circumstance.

The *music* triumphs at Glyndebourne, to such a degree that one wonders why Handel has been so little performed there. The *theatre is ideal for it, and* this cast, partnered by William *Christie* and the Orchestra of the Age of Enlightenment, represents Handelian drama at its finest. Judging by the first night on Saturday, *Rodelinda is on course to be a* festival favourite – but the triumph is achieved at a price. The French theatre director Jean-Marie Villégier treats the work as if it is insufficiently entertaining on its own terms. His chic 1920s setting may not sully the music, but it trivialises Handel's characters and cheapens the opera's central theme – the triumph of marital fidelity over temporal power. For much of the evening, there seem to be two operas going on simultaneously: one minute we're lost in the depths of tragedy, the next we're confronted by a drawing-room farce.

There seem to be two operas going on: one minute we're lost in the depths of tragedy, the next we're confronted by a drawing-room farce

It's not surprising that the audience should occasionally mistake one for the other, *so* that some of Handel's most deeply affecting moments – notably Bertarido's dungeon aria – are peppered with laughter. This is as much a *distortion of Rodelinda as it* would be of *Fidelio* Act 2. And Villégier's frivolous treatment of the finale, in which the evil Garibaldo suddenly returns to life and starts dispensing champagne and bonhomie, panders to the idea of the Glyndebourne *audience as a bunch of air*heads. The message it sends *out is that none of this really* matters.

Villégier's design team – Nicolas de Lajatre, Pascale Cazales, Patrice Cauchetier and Bruno Boyer – transforms the Lombard court into a fascist powerhouse, all *satins*, sequins and sepia tones. However eye-catching the 1920s ambience may be, it adds nothing to our understanding of the drama; it has no *substance*, no logic. Have you ever heard of a fascist thug agreeing to share power, as Grimoaldo does at the end?

Grimoaldo actually suffers least, because Kurt Streit invests him with such sleek, testosterone-charged elegance. Streit's Handelian credentials are heard most impressively in his conscience-stricken Act 3 aria – the one scene where the production offers acute psychological insight. By contrast, it's hard to take Umberto Chiummo's Garibaldo or Louise Winter's *Edwige* seriously. In Chiummo's hands, the court *plotter is a cipher*, and there's not much vocal personality to compensate. Winter's scheming monster is more neurotic than erotic – a character straight out of Gothic melodrama, partly redeemed by sophisticated word-colouring.

Anna Caterina Antonacci's Rodelinda and Andreas Scholl's Bertarido bring us closer to the opera's core. With a split-leg dress and tiara to enhance her porcelain features, Antonacci is a mix of early screen goddess and classical *tragédienne*. What she lacks in vocal warmth, she makes up in musicality and technical control. Scholl handles his much-heralded stage debut with *commendable steadiness*. The characterisation will surely develop as he gains confidence, but the expressive purity of his singing already makes him a man in a million. In his hands, "Dove sei" has such unforced emotion and "Vivi, tiranno" such intelligent virtuosity that time stands still, and you feel he is speaking to you. The second countertenor, Artur Stefanowicz's *Unulfo, makes a personable* foil.

Christie's Handel is the opposite of hard-driven or heavily accented – but there's nothing precious about it either. The music sounds like one long dance from start to finish, with fabulously light textures and a strong sense of expressive freedom. Despite its flaws, this production has surely opened the floodgates of *Handelian opera at Glyndebourne*, and we must hope *Christie will be commis*sioned to guide its course.

Sponsored by WestMerchant Bank.

Testosterone-charged elegance: Kurt Streit with Anna Caterina Antonacci's Rodelinda — Alastair Muir

Still torn apart by teenage angst

THEATRE

IAN SHUTTLEWORTH

Disco Pigs
Arts Theatre, London WC2

One of the most eye-catching press quotes to be seen outside a venue *last year eschewed the usual* run of superlatives and blandly affected praise. "Pulsates *with hormonal urgency*," it said – more appropriate, one might think, to the fare in a Soho cinema than for a show a little way south-eastward at the Arts Theatre. But it perfectly describes the small phenomenon that is the Corcadorca company's *Disco Pigs*, which first visited London in January and now returns as part of a world tour that will also take in *its triumphal return to the* Edinburgh Fringe.

Why such rapture about a two-handed show written in a deliberately infantile, heavily Cork-accented *nadsat* and spiced with sudden violence, such that the play resembles *A Clockwork Orange* rewritten as a Phil Spector song and recorded by The Fatima Mansions?

Because Enda Walsh's play and Pat Kiernan's production, unintelligible as *swathes of its lines might be* to many Brits, tap wondrously into the wellsprings of teenage euphoria and confusion, that "top of the world but torn apart" feeling of which James Dean was the mid-century incarnation, *and sets it on the tense*, pre-millennial shoulders of a pair of inseparable 17-year-old pals calling themselves Pig and Runt, who haunt the Republic of Ireland's second city, renamed by them Pork.

Cillian Murphy and Eileen Walsh have racked the intensity of their performances up a few notches at several points – due, I suspect, less to the size and format of the venue (this is the first time I have seen the show on a conventional raised stage rather than looking down from a steeply raked auditorium) than to a simple need to keep it fresh for themselves after the better part of two years performing the play.

They remain, however, quite astonishing – Murphy's Pig is blessed with the kind of ebullience to which he can only give vent by flinging his body around, usually to someone else's *cost, and Walsh is blessed* with the kind of mobile, expressive features across which every flicker and nuance of Runt's thoughts and feelings can be seen flitting as if on a time-lapse filmed skyscape.

Cormac O'Connor's sound *design seems almost to be* transmitting raw emotions rather than looming trip-hop and reverberating effects. As Pig and Runt would put it: "Top show, drama fans."

INTERNATIONAL Arts Guide

AMSTERDAM

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Siegfried: by Wagner. New production *conducted* by *Hartmut* Haenchen in a staging by *Pierre* Audi; Jun 17, 21

BELFAST

DANCE
Grand Opera House
Tel: 44-1232-241919
The National Ballet Company of *Latvia: The Sleeping Beauty*. With the orchestra of Latvian National Opera and *Ballet; Jun 16, 17, 18,* 19, 20

BERLIN

CONCERTS
Konzerthaus
Tel: 49-30-203090
● Berlin Symphony Orchestra: conducted by *Kurt Sanderling in* works by Mozart and Beethoven; Jun 19
● *Peter* Donohoe: recital by the pianist of works by Debussy, Ravel *and Messiaen; Jun 17*
● Staatskapelle Berlin: conducted *by Daniel Barenboim in works by* Schoenberg, Bartók and Brahms. With violin soloist Gidon Kremer; Jun 17, 18

Philharmonie
Tel: 49-30-2548 8354
Berlin Philharmonic Orchestra: conducted by Wolfgang Sawallisch *in works by Haydn; Jun 16, 17*

DANCE
Deutsche Oper
Tel: 49-30-34384-01
La Sylphide: revival of a production designed by David Walker and directed by Peter Schaufuss, *after* August Bournonville; Jun 18

OPERA
Deutsche Oper
Tel: 49-30-34384-01
Werther: by Goethe. Concert performance *conducted by Alain* Guingal; Jun 20

BOLOGNA

OPERA
Teatro Comunale
Tel: 39-51-529 999
www.nettuno.it/bo/teatrocomunale
Don Giovanni: by Mozart. New *production* conducted by Daniele Gatti in a staging by Gianfranco de Bosio, *with designs* by Pasquale Grossi; Jun 17, 18, 20, 21

BRUSSELS

OPERA
La Monnaie
Tel: 32-2-229 1211
● Don Pasquale: by Donizetti. New *production conducted* by Philippe Jordan in a staging by François de Carpentries on the *Lunatheater stage*; Jun 18, 19, 21
● The Turn of the Screw: by Britten. New production *conducted* by Antonio Pappano in a staging by Keith Warner, with designs by Stéphane Lazaridis. Cast includes Susan Chilcott and Anthony Rolfe Johnson; Jun 16, 17, 19, 21

LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
London Symphony Orchestra: conducted by Bernard Haitink in *works by Mozart and Strauss*; Jun 18

Wigmore Hall
Tel: 44-171-935 2141
● Natalie Clein: recital by the cellist of works by Schumann, *Shostakovich* and *Rakmaninov*. Accompanied by Itamar Golan; *Jun 18*
● Simon Keenlyside: recital by the baritone of works by Debussy, Strauss, Glazunov, Rachmaninov and Mahler. Accompanied by *Malcolm Martineau; Jun 20*

DANCE
Barbican Theatre
Tel: 44-171-638 8891
The Royal Ballet: triple bill comprising Ninette de Valois' The Rake's Progress, Ashton's Birthday Offering, and a new work by *Ashley Page; Jun 16, 17, 18,* 19, 20

EXHIBITIONS
National Portrait Gallery
Tel: 44-171-3060055
High Society: Edwardian Photographs. A collection of studio portraits, *reprinted from a recently* rediscovered cache of original negatives. *Subjects include* Lloyd George, Winston Churchill and *Lillie* Langtry; to Jun 21

Tate Gallery
Tel: 44-171-887 8000
Turner and the Scientists: An Artist in Two Cultures. Display demonstrating the importance of *Turner's relationship with his* scientific contemporaries, and the impact on his work of new technologies; to Jun 21

OPERA
English National Opera, London *Coliseum*
Tel: 44-171-632 8300
● Carmen: David Ritch and John La Bouchardière direct a revival of Jonathan Miller's production, conducted by Noel Davies. The title role is sung by Sally Burgess; *Jun 17, 19*
● Doctor Ox's Experiment: world première of a new opera by Gavin Bryars, with a libretto by Blake Morrison, after Jules Verne. The *production is directed by Atom* Egoyan, with sets by Michael Levine and costumes by *Sandy* Powell. Cast includes Bonaventura Bottone; Jun 20
● Manon: by Massenet. New production by David McVicar, designed by Tanya McCallin. Rosa Mannion sings the title role and the *conductor* is *Michael Lloyd; Jun 18*

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
● London Symphony Orchestra: conducted by Bernard Haitink *in* works by Mozart and Strauss; *Jun 21*
● Munich Philharmonic Orchestra: conducted by *Horst Stein* in Pfitzner's "Von deutscher Seele". With soloists Doris Soffel, Luana DeVol, Thomas Moser and Alfred Muff; Jun 16
● Munich Philharmonic Orchestra: morning chamber concert of works *by Mozart, Dohnányi and Brahms*; Carl-Orff-Saal; Jun 21

THEATRE
Philharmonie Gasteig
Tel: 49-89-5481 8181
Das Europa Musical Theater: *Beauty and the Beast, directed by* Carin Piontek with choreography by *Lali Cseszko; Carl-Orff-Saal;* Jun 18

NEW YORK

EXHIBITION
Guggenheim Museum
Tel: 1-212-423 3500
www.guggenheim.org
Peggy Guggenheim: A Centennial Celebration. To mark the 100th anniversary of Peggy Guggenheim's birth, the *museum* has organised a display of paintings and sculptures from her collection. The exhibition also features photographs, personal belongings, and selected pages from her visitors' books in Venice; *to Sep 2*

PARIS

EXHIBITION
Musée d'Art Moderne de la Ville de Paris
Tel: 33-1-5367 4000
La Collection du Centre Georges Pompidou: 200 works from the *Musée national d'art moderne*, displayed here in three sections *during the period of the Centre's* renovation; to Sep 13

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
La Traviata: by *Verdi*. Production directed by Jonathan Miller and *conducted* by James Conlon; Jun 19

ROTTERDAM

EXHIBITION
Kunsthal
Tel: 31-10-440 0300
Roger Ballen: This Africa. Works representing South Africa's white *rural poor*, by the American photographer (b.1950); to Jun 21

SAN FRANCISCO

CONCERTS
Davies Symphony Hall
Tel: 1-415-864 6000
www.sfsymphony.org
San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in *Mahler's* Symphony No. 9; Jun 18

TOKYO

CONCERT
Suntory Hall
Tel: 81-3-3584 9999
Tokyo Metropolitan Symphony Orchestra: conducted by Gary Bertini in works by Mendelssohn and Ravel. With violin soloist Gil Shaham; Jun 16

EXHIBITION
Suntory Art Museum
Highlights of Asian Painting from Cleveland's Museum of Art: selection of 100 works ranging from the 11th-19th centuries; to Jun 21

VIENNA

CONCERT
Musikverein
Tel: 43-1-5058 6810
London Symphony Orchestra: conducted by Bernard Haitink in works by Mozart and Strauss; Jun 20

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ *(463m)*

EUROPEAN CABLE AND SATELLITE BUSINESS TV
● **CNN International**
Monday to Friday, GMT:
06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; *10:20*; *11:20*; *11:32*; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

PERSONAL VIEW KOFI ANNAN

Beyond Nuremberg

Ad hoc tribunals are not enough. A properly constituted International Criminal Court is the best way of dealing with genocide and all other crimes against humanity

Uncovering Yugoslavia's genocide: this decade has brought new crimes against humanity

All too often in this bloody century, the law of force has overwhelmed the force of law. All too often, atrocities and impunity have worked in vicious tandem, with each massacre the parent of the next. That is why a conference has just opened in Rome to establish an International Criminal Court: at long last, we aim to prove we mean it when we say, "Never again."

The road to this landmark gathering has led through some of the darkest moments in history. We have seen the extermination of indigenous peoples and the barbaric trade in African slaves. Our own century has seen the invention and use of weapons of mass destruction and the use of industrial technology to dispose of millions of lives.

Most societies have proclaimed, at least in principle, the need to protect the innocent and to punish those who carry violence to excess. By now, however, the world has realised that relying on each state or army to punish its own transgressors is insufficient. When crimes are committed on such a scale, we know that the state lacks either the power or the will to stop them. Often the worst crimes are part of a systematic policy, and the worst criminals may be found at the pinnacle of state power.

The idea of an international criminal court is not new. After the defeat of Nazism and fascism in 1945, the United Nations was set up in an effort to ensure that world war could never happen again. The victorious powers established international tribunals at Nuremberg and Tokyo, and decided to prosecute Nazi leaders not only for "war crimes" but also for "crimes against humanity".

Was it enough to make an example of the arch-criminals in two states, and leave it at that? The General Assembly of the UN did not think so. In 1948, the Assembly adopted the Convention on the Prevention and Punishment of the Crime of Genocide and requested the International Law Commission to study the possibility of establishing a permanent court. In this area, as in so many, the cold war prevented further progress.

We have had to wait until the 1990s for a political climate in which the UN could once again consider establishing an international criminal court. Unhappily, this decade has also brought new crimes. Events in the former Yugoslavia have added the dreadful euphemism of "ethnic cleansing" to our vocabulary. The 1994 genocide in Rwanda has done terrible and irreparable damage not only to one small country but to the very idea of an international community.

It is shameful that the man who organised the killing of more than 2m people in Cambodia died without being brought before a court

These events overtook the slow processes by which the world was considering the creation of a permanent criminal court. Ad hoc tribunals established for those two countries have made important progress, including the milestone six weeks ago when a former prime minister of Rwanda pleaded guilty to genocide. These tribunals are showing, however imperfectly, there is such a thing as international criminal justice and that it can have teeth.

But ad hoc tribunals are not enough. People all over the world want to know that humanity can defend itself – that wherever genocide, war crimes or other such violations are committed, there is a court with teeth before which the criminal can be held to account; one that puts an end to a global culture of impunity; one where "acting under orders" is no defence; and one where all individuals in a government hierarchy or military chain of command, without exception, from rulers to private soldiers, must answer for their actions. It is shameful that the man who organised the killing of more than 2m people in Cambodia between 1975 and 1978 died without ever being brought before a court for his crimes.

Many conflicting principles and interests will have to be reconciled if we are to create an international criminal court that is strong and independent. Some small states fear giving pretexts for more powerful ones to over-ride their sovereignty. Others worry that the pursuit of justice may sometimes interfere with the vital work of making peace. These concerns must be taken into account and the aim must be a statute accepted and implemented by as many states as possible. At the same time, the overriding interest must be that of the victims and of the international community as a whole. The court must be an instrument of justice, not expediency.

In this year of the 50th anniversary of the Universal Declaration of Human Rights, we have an opportunity to take a monumental step in the name of human rights and the rule of law. Victims of past crimes, and potential victims of future ones are watching us. They will not forgive us if we fail.

The author is UN secretary-general

LETTERS TO THE EDITOR

Too high a price paid by developing countries in financial crises

From Mr. V. Anantha-Nageswaran.

Sir, Your leader, "The banks in east Asia" (June 10), in the wake of the Bank of International Settlements annual report, on the role of banks in international financial crises has not come a day too soon. The blame for the "vigorous" lending activity that sows the seeds of an eventual blow-out should, of course, be apportioned between home-country borrowers, regulators and international lenders.

However, the risk-return distribution in this game is painfully skewed. The home country pays for its sins with asset price erosion and economic contraction. But international lenders get away virtually scot-free.

The problem lies not just with multilateral agencies' bail-out. Anomalous incentive systems that banks adopt also play an equally important role.

The world of investment banking is glamorous – a jet-set luxurious life, a high media profile and vulgarly high levels of incentives linked to business creation and income generation. Loss prevention is barely recognised. It is therefore no surprise that risk considerations play little or no part in an investment bank's priorities. When economists get paid by the sales force, research can comes up short on objectivity sometimes.

Actually, banks' commercial credit departments can benefit from in-house research that supports asset acquisitions (known in the industry as buy-side research) and hence pays more attention to risk issues. Unfortunately, this is being de-emphasised in the squeeze on margins that is generated by intense competition.

If these are not reversed, it could have serious repercussions for the world economy. The impoverishment of developing countries that have made considerable progress in catching up with western standards of living, and its implicit income and wealth redistribution effects in favour of the west could set back, by decades, attempts to create globally open financial and trade systems. Furthermore, social disruptions caused by large-scale immigration and security risks from disgruntled youths of the developing world would inevitably follow. Indifference to the broad social picture would eventually negate attempts to maximise shareholder wealth.

V. Anantha-Nageswaran,
General Wille Strasse 46,
Feldmeilen,
8706 Switzerland

Bond market sets target

From Mr Bert Ely.

Sir, Gerard Baker ("Greenspan's waiting game", June 9), overlooks, as do others, the real reason why the Federal open market committee has not had to change the Fed funds rate target (FFRT) – the bond markets have varied longer-term interest rates sufficiently to keep the economy growing while reducing inflation.

The most recent interest rate cycle, November 29 1996 to January 12 1998 (defined by turning points in the yield on the 10-year Treasury note), illustrates this unappreciated market phenomenon. During that period, while the Fed increased the FFRT just once by 25 basis points, yields on the one-year Treasury bill, three-year Treasury note, and 10-year Treasury note varied, respectively, by 100, 150, and 159 basis points.

The Fed's pegging of the very short end of the interest rate yield curve has the deleterious effect of shifting rate volatility to the longer end of the curve, which unnecessarily whipsaws the most rate-sensitive sectors of the US economy, but at least this market-determined volatility is keeping the economy growing while trimming inflation.

Bert Ely,
Ely & Company Inc.,
901 King Street,
Alexandria,
Virginia 22314, US

Hopeful sign for investment in science

From Mr John H. Mulvey.

Sir, Martin Wolf ("Mr. Brown's balancing act", June 12) called the UK chancellor's statement on public spending, which included a planned doubling of public investment, a "decisive moment" for this government. Its import will certainly be decisive for the future of the UK science and engineering research base.

This leads the world in efficiency and productivity but public funding is now so mean, well below other nations, and the research base so lean that world-class performance is no longer sustainable. Yet public investment in basic research has been shown to bring very high returns.

Gordon Brown's reference to the "run down of science and technology" as "something we are not going to tolerate" is therefore a very welcome sign that public investment in an outstanding national, *intellectual* capital asset is to be raised to world-class levels.

John H. Mulvey,
director,
Save British Science Society,
Box 241, Oxford, UK

The when, not if, of a depression instigated by Japan

From Mr Robert Z. Brooke.

Sir, Let's not beat about the bush ("Can Japan reflate?", June 11). Japan is sliding into depression and, through its collapsing banking system, threatens to export that depression to the rest of the world. Financial confidence in Japan is collapsing domestically and internationally, pushing the banking system to the brink of implosion.

Not since the US banking system ground to a halt on Herbert Hoover's last day in office, March 4 1933, has a financial system been under such threat. That the crisis has been postponed for so long does not mean it will not happen. On the contrary, it means the damage is likely to be so much greater when the climax does hit.

Markets will out. The stock market, bond market and yen are all in imminent danger of crumbling in the same way as other Asian markets have done, forcing the kind of changes that have been resisted for so long. The risk to the rest of the world is, first, a financial one. The trade and consumer demand implications will flow from that.

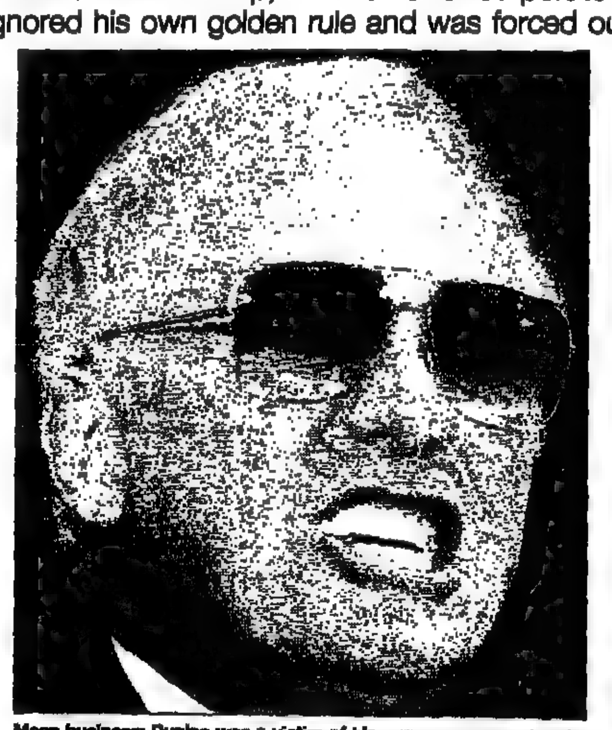
Robert Z. Brooke,
Brooke Research,
35 Castlebar Road,
Ealing, London W5 2DJ, UK

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers worldwide. Letters may be faxed to +44 171-873 5938 (set fax to 'fine'). e.mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages. Fax 0171 873 5938. Letters should be typed and not hand written.

Sunbeam chainsaw massacre

Richard Lambert salutes Al Dunlap, the master of corporate bloodletting who ignored his own golden rule and was forced out



Mean business: Dunlap was a victim of his own management style

Seldom can a company announcement have caused so much pleasure to so many people. The news that Al Dunlap, the chairman of Sunbeam Corporation and champion of the slash-and-burn management style, had tripped on his own chainsaw sent a happy glow around the business world yesterday.

It was like that moment in the television wrestling match when the hooded villain, who for the past half hour has been beating people senseless and chewing off their ears, suddenly gets his come-uppance. You know it is not for real, but it is cheering all the same.

Mr Dunlap's pain is also cushioned, in his case by millions of dollars of options and stock grants in Sunbeam. Still, it could not have happened to a nicer man.

His style is best captured in his own book *Mean Business*, which reads like the kind of manual he must have studied in his days as a graduate of West Point Military Academy and later as a paratrooper and officer in charge of a nuclear missile installation. "You're not in business to be liked," writes Mr Dunlap. "Neither am I. We're here to succeed. If you want a friend, get a dog. I'm not taking any chances: I've got two dogs."

Some people may conclude that in the caring, sharing 1990s, Chainsaw Al's approach to management – firing workers by the thousand, along with executives who failed to meet his targets – has gone the way of Tyrannosaurus Rex. They would be wrong. Instead, his downfall seems to be the result of three fatal mistakes.

First, he came to believe his own publicity. For most of his career, he has been a hired rottweiler, employed by Sir James Goldsmith and Kerry Packer to do their toughest jobs, and then popped back in his kennel with a hunk of meat and a few million dollars. The turnround of Scott Paper was his first solo effort, and it was staggeringly successful: the company sold out at a high price, and he walked away with about $100m.

He followed that with Sunbeam, which turned out to be a different story. Mr Dunlap's mantra is that if a business problem cannot be fixed in 12 months, it cannot be fixed at all, and he went into the company with his chainsaw buzzing. In the latest edition of his book, he claims: "We took a company [Sunbeam] that was an absolute basket case and restructured it in seven months. Maybe somebody should buy copies of this book for all the CEOs and boards of directors out there with three-year restructuring plans."

He had a chance last year to walk off again as a hero, when the company was on a number of acquisition lists. But the stock had been talked up to a point where potential buyers turned away. And it turns out that not all the company's problems can be fixed overnight. He may have sacked about half the workforce but in spite of his efforts – and what appears to have been a creative approach to reporting the results for 1997 – Sunbeam is still in difficulties two years after Mr Dunlap arrived at the door.

His second mistake was to disregard his own golden rule: "If you're going to be in business, you'd better understand that, above all, your goal is to make money for the owners."

'Chainsaw Al' – or as Sir James Goldsmith used to call him, 'the Rambo in pinstripes' – looked out of place. Sylvester Stallone has given way to Leonardo DiCaprio

He has not exactly fulfilled that promise. The share price has fallen from $53 in March to $17 yesterday. As the pressure mounted, he began to get a little crisp with Wall Street analysts. (He is reported to have told one critic: "You son of a bitch. If you want to come after me, I'll come back at you twice as hard.")

But there were problems closer to home. The financier Ronald Perelman sold his stake in a camping gear company to Sunbeam this spring when the shares were at a high point. He was said not to have been pleased when the value of his Sunbeam holding subsequently fell by several hundred million dollars.

Mr Dunlap also required all his outside directors to have substantial shareholdings in the company, and to take their annual payment in the form of stock. So they, too, were displeased by the recent performance of the shares.

The third mistake was not to realise that times had changed. After one of the longest bull market runs in history, there is beginning to be just a sense in the US that the rewards of success are not being shared widely enough. It is still acceptable to take tough decisions, but you should not glory in them any longer.

AT&T, the US's largest long-distance telecoms operator, is an example of this changed mood. In a speech in New York two weeks ago, its new chairman Michael Armstrong announced that 14,000 managers had applied for early retirement, many more than had originally been expected. His message was earnest and sincere: these managers were going with dignity, and were happy with the opportunity to start new lives.

In this environment, "Chainsaw Al" – or, as Sir James used to call him, "the Rambo in pinstripes" – looked increasingly out of place. Sylvester Stallone seemed to have given way to Leonardo DiCaprio.

America's economic success today certainly owes something to the work of Mr Dunlap and his kind over the past 15 years. Senior managers have been shaken out of their complacency and self-indulgence: companies have cut costs and focused on their basic businesses. After surviving much pain and inner turmoil, US business has regained a competitive edge that is serving it well around the world.

Other nations have lagged behind and need this treatment. In the interests of the world economy, the best thing to do with Mr Dunlap now would be to send him to Japan. Chainsaw Al running Nissan Motors – now there is a thought.

صورة من الأصل

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Tuesday June 16 1998

China's currency decision

The latest threat to the currencies of Asia comes not from a political crisis or a faltering International Monetary Fund programme, but from the giant of the region, Japan. The fall of the yen against the dollar is prompting speculation that China, which so far has held firm against the crisis, may devalue the renminbi. Some recent statements by officials have fuelled this fear by appearing to soften the no-devaluation line. In fact, China is well aware of the dangers of letting its currency go.

China is suffering from the fallout of the Asian crisis. Exports dropped by 1.5 per cent year-on-year in May, threatening the government's growth target of 8 per cent. And the effects of the yen's fall have yet to be felt.

But a devaluation now could be economically and politically disastrous. With markets still in a fragile state, it could easily knock the Hong Kong dollar from its peg, and spark a new round of devaluations. Zhu Rongji, the Chinese premier, has announced currency stability as a main pillar of his economic policy; a devaluation would undermine his authority and hold up the reform process. Also at risk would be the enhanced international influence that China's currency policy has generated.

And a devaluation may not even be necessary on competitive grounds. China remains the second-cheapest place to manufacture in Asia. The weakness of the yen may deter investment from Japan into China. But its effects on trade should be limited, as the countries have very different export patterns.

There may be a case for a controlled devaluation once the Asian markets have stabilised, which probably means next year at the earliest. For now, though, it is clear that China must stick to its exchange rate. Whatever pain it is feeling now, the consequences of caving in must be worse.

The Chinese authorities are well aware of these arguments. But there is still a risk that a further serious drop in the yen could leave them feeling they have no choice but to devalue, especially if yen weakness leads to currency falls elsewhere. The recent apparent softening of China's anti-devaluation line is probably an attempt to force some international action over the yen.

The west must now respond by putting renewed pressure on Japan to take the decisive economic actions needed to underpin the yen.

China's policy has so far helped to prevent a serious worsening of the crisis, and has brought the country further into the international fold. A devaluation would reverse this, and would damage the long-term stability of the region.

Goldman sells

When Goldman Sachs partners decide to cash out part of their ownership of the firm, it is clearly a sell signal for US equities. Some of the world's smartest investors have decided that, comparing risks with rewards, today's price is likely to be preferable to tomorrow's.

Of course, they may be wrong. Where their action is less open to second-guessing, however, is as an indication of a more pervasive trend: the death of communal ownership among banks, stockbrokers and insurers, and an end to the collective management that goes with it.

Other financial services partnerships have long ago shifted to a publicly quoted form. Mutual institutions are also succumbing to shareholder capital.

By restricting its initial public offering to a small proportion of the firm's capital, Goldman appears to be taking only a small step along the road. But the arrival of external capital will mark a profound change in behaviour. The arguments advanced by several of the proposal's advocates – that a partnership is too cumbersome for a big business – underscore this shift.

What these changes of form have in common is an end to a certain form of shared consciousness. To partners of a previous generation – as to the managers of a mutual institution or the nominal owners of a football club – the business they ran was in some sense in trust for a future generation. They might profit from it during their stewardship, but the idea of transforming its ownership was, literally, unthinkable.

The argument that the growth of the firm could be assisted by access to outside capital, would have seemed a purely academic point. Growth that sacrificed the essence of the firm would have seemed pointless.

Once such an attitude vanishes, the current generation of owner-managers is constrained by purely practical considerations. Is today's price a good one? Will the non-partners revolt, and does that matter? If so, how much will it cost to buy them off? Such questions can be met by equally practical answers, as in the Goldman case.

The joint-stock form of organisation has many virtues. It is surely not, however, mere sentimentalism to regret its universal triumph at the expense of mutual or partnership models. After all, when a partnership risks its capital, it watches it with special vigilance – a point of particular relevance to financial regulators.

If Goldman Sachs's initial admission of external shareholders leads eventually to complete outside ownership, the gene-pool of 21st century business will be the weaker as a result.

Sour grapes

Just when it looked as if Europe's Common Agricultural Policy was finally being forced to confront reality, along comes another crackpot scheme to suggest that the lunatics are still running the asylum. How else to describe the European Commission's plans to "reform" the wine sector through massively increased producer subsidies?

Brussels says the European Union industry is threatened by the success of New World wine exporters, which compete on the basis of lower costs and superior quality due to higher levels of investment. Europe's downtrodden producers can only hope to fight back, it is claimed, with help from the public purse.

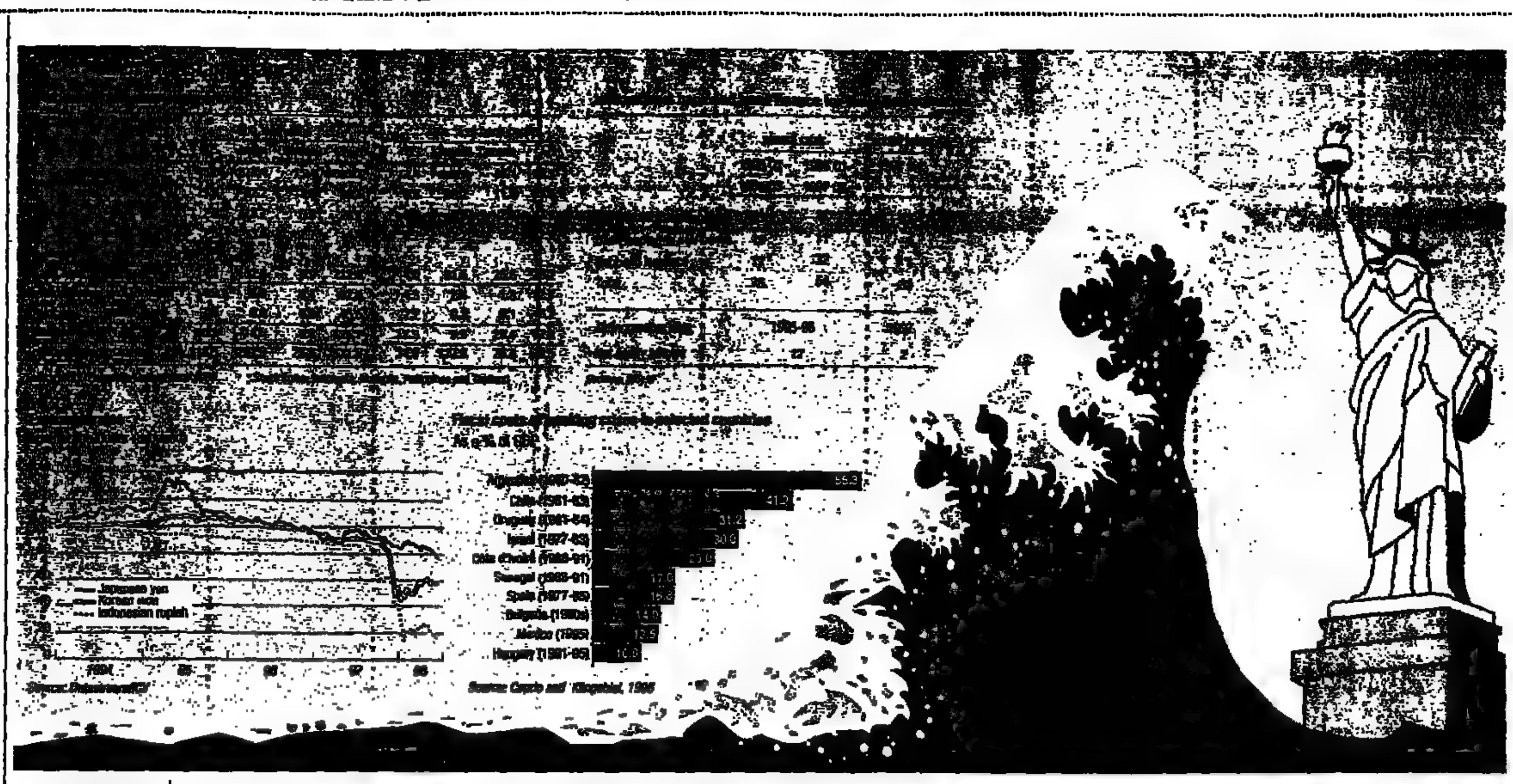
The argument defies experience. The history of such troubled European industries as airlines, steel, mining and textiles shows that subsidies simply prolong the agony by shielding recipients from competition. In these and other sectors, the Commission is resolved to stop the rot by tightening state aids disciplines. How can wine production possibly be deemed an exception?

The answer, of course, is that this is European agriculture. Only a sector which has long believed the world owes it a living, and EU bureaucrats dedicated to indulging that fantasy, could show such disregard for the laws of economics and fiscal prudence. Only a policy apparatus dedicated to distorting markets could presume that it is entitled to offset a reduction in direct subsidies to wine exports, required by world trade rules, by re-creating them in another form.

The EU's wine regime may represent only a minor folly in the overall scheme of the CAP. But the timing of Brussels' proposals makes them particularly damaging. They flout the spirit, if not the letter, of the farm subsidies freeze agreed in the Uruguay Round world trade deal. They send disturbing signals about the sincerity of the EU's commitment to World Trade Organisation talks on liberalising farm trade, due to start next year, and of its calls for a comprehensive new global trade round.

Bilaterally, the proposals threaten needlessly to antagonise rich trading partners, such as the US and Australia, and hurt poor ones, such as South Africa, for which wine is an important export. The plan also seems bound to discriminate against wine-exporting countries in eastern Europe, with several of which the EU is conducting membership negotiations.

Brussels is not only jeopardising other countries' well-being, but undermining the EU's moral authority. It is constantly exhorting governments elsewhere to curb state intervention, pursue painful market-based reforms and increase reliance on trade, rather than aid. It cannot expect to be taken seriously while it persists in practices which flagrantly violate those precepts.



Ins and outs of capital flows

Martin Wolf attacks western complacency in the Asian crisis and explains the range of painful lessons that need to be learned

When asked the meaning of the French revolution, Zhou Enlai, China's erstwhile prime minister, is reported to have replied that "it's too soon to tell". On that basis, less than a year after the fall of the Thai baht, it is far too soon to reach any conclusion on the Asian financial crisis – especially when it is not yet over.

The yen has just sunk to its lowest level against the dollar for eight years; waves of panic are sweeping across emerging markets, pushing Hong Kong's market down 5.7 per cent yesterday and South Korea's 4.8 per cent; and the most afflicted economies have still to reach bottom.

Nevertheless, Asia's crisis has been so huge and unexpected that it should at least have shaken western complacency. Unfortunately, the official reaction in Washington and European capitals has come close to insouciance. Politicians and economists have exhibited some quiet pleasure over the disinflationary effect of the Asian devaluations, some modest concern over the impact of the external adjustments in train, and only limited inclination to question the wisdom of capital account liberalisation.

Dr Pangloss, it seems, is alive, well – and living in Washington. He recommends sound macroeconomic policies, somewhat tighter financial regulation and transparency in all things. Then all will be for the best in the best of all possible worlds.

Yet the crisis is big enough to force questioning of such pieties. Outside official circles, it is doing so. On the right, opposition focuses on the moral hazard of the bail-outs organised by the International Monetary Fund.* On the left, critics point to the disastrous consequences of panic in financial markets.**

Distinguished mainstream economists are questioning the wisdom of capital account liberalisation, the efficiency of international capital markets or the role of the IMF. Among them are Martin Feldstein, head of the National Bureau of Economic Research, Paul Krugman of the Massachusetts Institute of Technology, Jeffrey Sachs, director of the Harvard Institute for International Development and, with the official institutions, Joseph Stiglitz, chief economist of the World Bank.

Last week's annual report from the Bank for International Settlements – the central banks' own club – is also remarkable for its cogent criticism of conventional wisdom on a number of fronts. As the BIS notes: "This was the first crisis in the postwar period featuring the combination of banks as the principal international creditors and private sector entities as the principal debtors." Its outcome must be disturbing for those convinced such lending must be desirable.

How is the world to do better? It must start by trying to understand what has happened and why. At least four explanations can be given for the Asian crisis.

The first emphasises the long-term weaknesses of the east Asian developmental state and the misallocation of resources it entailed. Alan Greenspan, chairman of the Federal Reserve, stresses this, concluding that the afflicted countries should move as fast as possible towards US standards of liberalisation, transparency and financial regulation.

The second concentrates on the interaction between, on the one hand, the implicit and explicit guarantees to the financial systems of the capital-importing countries and, on the other, the belief of international lenders that they would be helped to get their money out somehow. This is the tale of moral hazard. Those who believe in it conclude that both domestic and international guarantees to borrowers and lenders, including the IMF rescue packages, must end forthwith.

The third explanation concentrates on the interaction between pegged exchange-rate regimes in the Asian countries and an unstable global macroeconomic environment. Particularly important then were fluctuations in the dollar-yen exchange rate in the 1990s and the devaluation of the Chinese renminbi in 1994. Believers in this saga conclude that governments should never make commitments to fixed exchange rates, except perhaps to full currency boards.

The fourth and last explanation tells how an unnecessarily deep crisis was created by the initial exuberance and subsequent panic by international lenders. Their behaviour may not even have been individually irrational. But in aggregate it created problems for everyone, including lenders themselves. This is the story of panic. For those who argue thus either a credible international lender of last resort should be created or control over capital inflows into vulnerable emerging markets must be kept in place.***

What makes drawing conclusions so difficult is that all four stories possess important elements of the truth. The vulnerability of the Asian economies was partly explained by the nature of domestic government intervention and by the fact that banks were often officially influenced conduits for loans rather than financially secure actors on their own behalf. Explicit and implicit guarantees help explain the scale and nature of domestic and international lending. So did the apparent elimination of foreign exchange risk. Finally, a financial panic has caused – and is causing – greater damage than the underlying weaknesses of these economies could justify.

Countries must never combine ill-regulated financial systems with capital liberalisation

This means conclusions must be drawn widely. Here is a personal list – a kind of ten commandments.

I. Private international lenders are not innocent bystanders. In the case of east Asia, huge bets were placed by international banks. The Japanese have bet their entire capital. International banks continued to pour money into Indonesia, Korea, Malaysia, the Philippines and Thailand until the third quarter of 1997. They then rushed out.

II. The benefits brought by short-term international lenders are questionable: they do not provide new technology; they do not improve the management of domestic institutions; and they do not offer reliable finance of current account deficits. In countries with high savings rates, they also increase already excessive investment rates. To manage the inflows, borrowers may have to accumulate huge reserves.

III. Greater transparency will not eliminate the herd behaviour of international lenders. In the days of euphoria, lenders ignored obvious risks. Even if they had been fully aware of them, they could still have hoped to get out in time.

IV. The countries that have fallen into difficulty were, albeit incompetently, liberalising their financial systems. The Asian saga proves, once again, that liberalisation of inadequately regulated and capitalised financial systems is a recipe for disaster. Liberalising access to foreign borrowing is particularly dangerous, because the local central bank cannot then act as a lender of last resort.

V. The distinction between private and public sector lending and borrowing is fuzzy. Since no government will allow its entire banking system to disappear, the cost of a huge banking disaster is always met by the taxpayer. The expense can be frighteningly high (see table).

VI. The combination of fixed exchange rates with openness to foreign capital inflows and a domestically oriented monetary policy is a recipe for calamity. One of these must go.

VII. If IMF lending does create moral hazard, this is true for just a few actors. Equity investors suffer big losses, as do most long-term lenders, and the peoples of borrowing countries suffer collapsing incomes and high unemployment. But politically influential borrowers and some short-term international lenders may be right to expect they will be saved.

VIII. The IMF's ability to prevent crises or ameliorate their consequences is limited. When money is pouring into a country, its influence is small. When money is pouring out, it cannot provide enough liquidity, quickly enough, to halt a panic.

IX. Questions about some of the IMF's policy recommendations remain. It has been forced to back away from initial demands for modest fiscal tightening. It still believes tight monetary policy is a recipe for a stronger currency and so less bankruptcy in countries with large foreign debts. Maybe it is right. But if international confidence does not turn around, high real interest rates and a contracting economy will push much of the private sector deep into bankruptcy, anyway.

X. The most important of all requirements for coping with the aftermath of financial crises is swift elimination of the debt overhang.**** Any country that permits extensive international borrowing by domestic companies needs an effective bankruptcy code. Sometimes, a government-organised unilateral stay on payments will also need to be imposed.

In short, countries have a choice. They must introduce tough and effective western-style regulation, along with credible exchange-rate regimes and tight restrictions on foreign currency liabilities and assets in their financial sectors. Or they must postpone capital account liberalisation. What they must never do is combine ill-regulated and heavily guaranteed financial systems with significant liberalisation of access to international lending. That way lies years of economic ruin.

* *Charles Calomiris, The IMF's Imprudent Role as Lender of Last Resort, Cato Journal, Winter 1998.*
** *Robert Wade, The Asian Crisis: Debt Deflation, Vulnerabilities, Moral Hazard, or Panic, mimeo (wade@rsage.org).*
*** *Jagdish N. Bhagwati, The Capital Myth, Foreign Affairs, May/June 1998.*
**** *Barry Eichengreen and Richard Portes, Managing Financial Crises in Emerging Markets, paper for a symposium organised by the Federal Reserve Bank of Kansas City, August 28-30 1997.*

Martin.Wolf@ft.com

OBSERVER

Second coming for Santer?

Don't write off Jacques Santer just yet. A vigorous performance yesterday at the European Union summit in Cardiff suggests that the man widely thought to be heading for the Ausgang may still harbour hopes of serving a second term as president of the European Commission.

Santer has 18 months left in office and it's no secret that his team has been irked by speculation – most of it centred on former Spanish socialist prime minister Felipe Gonzalez – about who's going to take his tasty Brussels office. Last week's Franco-German letter calling for less regulation and bureaucracy in the EU gave Santer the excuse he needed to remind people that his name is still on the door.

First, he dispatched a missive to British PM Tony Blair in which he shovelled most of the blame for excessive regulation on to the bureaucracies in national capitals. In a wet and windy Wales yesterday he was equally robust in his defence of the Commission as neutral umpire and enforcer of EU law. Jim Cloos, Santer's chief of staff, was busy delivering the same message to anyone who'd listen.

Santer's low-key style may have gone down well when he was running Luxembourg, but it has led to a lot of talk about the mouse at the top of the Commission. Yesterday, to coin a French phrase, he ate a lion for breakfast. Does that make 61-year-old Santer the mouse that roared?

Bad trip

The darkness of the Netherlands Opera's new production of Siegfried, much noted by critics, has claimed its first victim. Heinz Kruse, the German tenor singing the title role, tripped and fell on Saturday night as he navigated the murky and prop-cluttered stage for a second act curtain call.

His shoulder painfully dislocated, Kruse was taken away by ambulance. The final act was cancelled, freeing the Amsterdam audience to catch most of the Holland versus Belgium World Cup soccer match.

Brunnhilde is due to be rescued from her burning ring of fire at tomorrow's performance. An actor will do all the stage business, while the stalwart and strapped-up Kruse sings from the wings – the safest place to be.

Marqued man

Volkswagen's talks to buy Bugatti, the Italian luxury car marque, could take more twists and turns than the Monaco Grand Prix. The negotiations will pitch domineering VW chairman Ferdinand Piëch against foxy Romano Artioli, the Italian businessman who re-established Bugatti in the early 1990s – only to see the company run out of money and roll to a halt soon after.

On previous form, Artioli will blow hot and cold during the talks: in 1996 Daewoo of South Korea thought it was about to buy British sports car outfit Lotus, another of Artioli's racy investments. But the 63-year-old car nut swerved at the last minute, opting instead for a juicier offer from Proton of Malaysia.

This time, however, VW may be in the driving seat. Fresh from buying Rolls-Royce Motors and Cosworth in the UK – as well as Lamborghini, maker of devilish Italian roadsters – the redoubtable Piëch can argue that his garage is already full of motor industry exotica.

Artioli, by contrast, is probably keen to sell. Though if he does cut a deal to sell the famous brand you can bet he'll take it as proof that he was right all along to put Bugatti back on the road.

Klaus encounter

After the scandal surrounding its huge 1996 election expenses, the Czech Civic Democrat party of Vaclav Klaus proudly forswore the use of billboard advertising and said that campaign spending would be capped voluntarily at Kc30m. A noble gesture – except that in the run-up to this weekend's general election Civil Democrat supporters are ahead by a mile in the race to evade the self-imposed ban.

Lucie Bila, one of the country's top singers, has advertised a concert "for Vaclav Klaus" with huge billboards all over Prague. A local magazine is advertising its latest issue with heart-warming pictures of Klaus holding his grandson. For good measure, there's even an anonymous billboard showing a cartoon of Social Democrat leader Milos Zeman wearing Communist party underpants.

Volume sales

Michael Sutcliffe has been fitting hearing aids for 40 years, but the chief executive of Hidden Hearing, soon to float on the London stock market, says the product is losing its association with old age. "Hearing aids aren't very sexy," he says, "but the next 20 years will see the stigma go."

When Ronald Reagan had hearing aids fitted in the 1980s, US sales boomed. Bill Clinton's saxophone playing has also taken its toll on the Presidential ears, says Sutcliffe, and Hidden Hearing even considered using Clinton in its advertising – until it was decided that "he didn't really have a lot of pull on a marketing basis". At least, I think that's what he said.

Big step

So Swiss conglomerate Oerlikon-Bührle is to reorganise, enabling international footwear subsidiary Bally to develop as a separate business. The directors say the intention, before the end of this year, is place Bally "on an independent footing".

The Financial Times

100 years ago

Klondyke Pessimism
The British Consul at Portland, Oregon, does not appear to be particularly sanguine with regard to the immediate future of the Klondyke goldfields. In a report received at the Foreign Office a month ago, but only just issued, he says: "Some believe there will be plenty of business on the opening of the Yukon River in June, but I am inclined to believe that, unless extraordinary amounts of gold come out, the fever has spent itself. I anticipate considerable distress will result to a good majority of those who have given up everything to go to that inhospitable region."

50 years ago

New German Currency
Frankfurt, June 15. The British, American and French military governors of Germany and their financial advisers, meeting here it is believed in connection with currency reform, broke up to-night after talks lasting three hours. The three western zones are ready to go ahead with economic and financial fusion, it was believed here to-night. It was considered obvious from the nature of the meeting that currency and financial reform were discussed.

FINANCIAL TIMES
TUESDAY JUNE 16 1998

THE LEX COLUMN

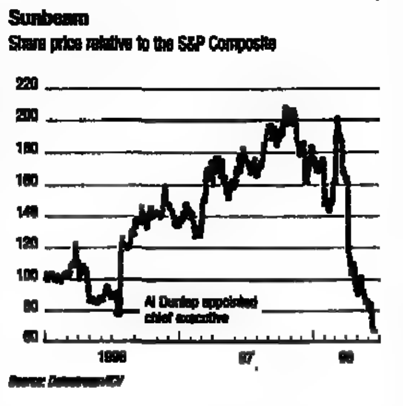
Self-inflicted wound

If Al Dunlap were not such an infamous figure, his ousting from Sunbeam would hardly surprise. He had presided over a stream of bad news this year; the shares plummeted. And his excuses were rather pathetic: he took his eye off the ball while hunting for acquisitions; El Niño hit sales of barbecue grills. Renowned for ruthlessness, it is easy to imagine what Mr Dunlap would have done to a cringing manager trying to blame failure on the weather.

But this tale of hubris owes its frisson partly to Mr Dunlap's view of himself (surely it is wiser to write your own success story after you retire) and the market's willingness to believe the "star manager" story.

Many companies did offer a virgin forest to the cost-cutter's axe. Now it is hard to imagine one that has not been through that mill at least once. Mr Dunlap sought to vary his "slash and burn" game at Sunbeam, with talk of product development and acquisitions. But instead of tough questions about what the "slash and grow" approach would deliver, the market value of a small appliances company, with sales of $1.2bn in a highly competitive, mature market, soared to a market value of $4.4bn. Surely the trick of stocking up on provisions to cushion future profits deserved more scrutiny.

At least Mr Dunlap put in place an admirable system of motivating independent directors to act. They were forced to buy – and are paid in – Sunbeam shares.



Source: Datastream/ICV

GAN

In France's sell-off of GAN, the financial services group, not only should the taxpayer retrieve up to FFr24bn of handouts, but a payback also dangles in front of minority shareholders. The value of their 18 per cent stake has risen by a quarter in the past six months to FFr4.5bn. As with the FFr13.8bn sale of GAN's stake in CIC bank, GAN's insurance business should go for more than its FFr15bn book value: forecasts centre on FFr20bn. Final bids are due by tomorrow. The "strategic" ambitions of the two finalists – Groupama, the French mutual, and Swiss Life – could well mean a demanding multiple will be paid of this year's expected FFr1bn-plus net profits.

But who will shoulder GAN's various liabilities? These include a pensions mis-selling bill of more than FFr2bn for GAN Life in the UK. The old liabilities could delay part of the payback to minority shareholders, or lead to a buyback offer from the government (unlikely to be generous).

The winning bidder will have to tackle another issue: GAN's insurance reserving. Zurich's $700m-plus provisioning on its merger with BAT financial services shows the potential cost of different assumptions. This ought to reduce the bids, and it helps to explain why the share price has come off its peak. Groupama has said it would take some charges against future profits. And with a return on equity of only 5.4 per cent last year, its low hurdle rate offers another argument for making the French mutual favourite.

Axel Springer/Mirror Group

How sensible of Axel Springer to let Mirror wriggle off the hook. Reeling it in would have been hard work and probably not worth the bother. With Springer's two major shareholders apparently unwilling to be diluted, and the Kirch group reluctant to load up an offshoot with debt, financing the bid looked troublesome, however keen banks were to lend. The idea of increasing the interest cover ratio through improving Springer's own margins looked topsy-turvy (why not do that first?) and of selling off nearly half the group to get to the national tabloids excessively complex.

While Springer may appear a private company unfussed by shareholder value, it is to be commended for balking at the low returns the investment offered. And meagre cost savings would have been outstripped by the heavy investment required to improve editorial products damaged by excessive cost-cutting. Now Mirror's shares have slipped 10 per cent, David Montgomery will have to work hard to justify his independence.

British Steel

While British Steel's full-year results were better than most had feared, Sir Brian Moffat's ever longer face told the real story. In the short term profits are unlikely to improve much on last year's £315m at the pre-tax level, down from over a billion in 1996. A further rate rise will do little to speed sterling's downward drift from recent profitability-sundering highs. And the prospect of competitive South Korean imports eroding world steel prices, not to mention British Steel's market share, also gives little ground for optimism.

So what is to be done? Improving productivity through training and lay-offs, tightening relations with suppliers and using information technology more creatively is only part of the answer. Costs would surely come out of the business faster if British Steel participated more aggressively in the sector's current consolidation. Mergers have already strengthened such competitors as Thyssen and Arbed. True, British Steel was, on balance, right in not leaping on Preussag Stahl and Cockerill Sambre: the hidden costs of strong political opposition to restructuring would have undermined the commercial logic.

But genuine European restructuring is probably inevitable in the medium term as governments cease to regard steel companies as employers of last resort and allow returns on capital to rise. The likes of Usinor may take a longer-term view on the eventual merits of what British Steel may view as fairly unattractive European options. British Steel can, of course, look further afield to the Pacific rim and eastern Europe. There may not be a better moment for picking up a bargain. But if deals are not done soon, there will be no excuse for hanging on to its sizeable cash pile.

Serbs ignore Nato exercise to continue Kosovo attacks

By Guy Dinmore in Belgrade

Serbian forces continued their attacks on ethnic Albanian separatists in the southern province of Kosovo yesterday in spite of a show of military strength by Nato aircraft over the southern Balkans.

Nato hailed Operation Determined Falcon, involving 85 aircraft flying over Albania and Macedonia to within 15 miles of the Yugoslav border, as a success. Its commanders said the western alliance had demonstrated its ability to carry out air strikes at short notice if Yugoslavia's President Slobodan Milosevic failed to pull back his forces.

Serbia's state-controlled media condemned the exercises, running such headlines as "Nato scares Serbs". But most focused on Mr Milosevic's meeting with Boris Yeltsin, the Russian president, scheduled for today.

Moscow said it was recalling its military envoy at Nato in protest at the alliance's show of force and General Igor Sergeyev, Russia's defence minister, accused his Nato counterparts of failing to inform him of yesterday's air exercises.

Serbian officials have spoken of an undisclosed Russian initiative to end the conflict in Kosovo, but western diplomats expect Mr Yeltsin to urge Mr Milosevic to comply with Nato's demands.

In a statement aimed at strengthening Mr Yeltsin's hand, the European Union's 15 members yesterday warned Mr Milosevic that if he did not back down he would face "a much stronger response, of a qualitatively different order" from the international community.

Javier Solana, Nato's secretary-general, warned that his organisation was "preparing to go further, if required, to halt the violence and protect the civilian populations".

Combined forces of the Serbian police and federal Yugoslav army have continued to shell villages close to the Albanian border used by rebels of the pro-independence Kosovo Liberation Army (KLA). More than 60,000 ethnic Albanians have fled their homes this month and aid workers in northern Albania reported a fresh influx of several hundred refugees yesterday.

Serbian analysts in Belgrade expect Mr Milosevic to test Nato's mettle, as he did during the Bosnian civil war when it took the west more than two years to intervene.

Before flying to Moscow, Mr Milosevic held a reception for his army commanders on the occasion of Yugoslav Army Day, during which the military was congratulated for its efforts to secure the border with Albania, the main supply route for the KLA rebels.

Some analysts believe Mr Milosevic has a hidden agenda, put forward by nationalist ideologues, to partition Kosovo. Nato intervention – as it did in Bosnia – could have the effect of freezing what are effectively front-line positions and give Mr Milosevic a stronger position in any negotiations on a political settlement.

Serbian newspapers yesterday reported that the KLA was expanding its hit-and-run attacks. For the first time, on Saturday evening, rebels clashed with security guards at the northern Stari Trg lead-zinc mine where Evangelos Mytilineos, the Greek metals trader, has investment interests.

Nato's Kosovo move, Page 2

UN inspector optimistic over Iraqi disarmament co-operation

By Roula Khalaf in Baghdad

Richard Butler, chief United Nations weapons inspector, hopes to tell the UN security council in October that Iraq has fulfilled its disarmament obligations, opening the way for a possible end to the oil embargo.

He said in Baghdad yesterday that he could settle most outstanding questions about Iraq's disarmament by August: "The light at the end of the tunnel is today more visible than it has been for a long time."

Several countries have been pushing for prompt presentation of a final inspectors' report, so the security council can make a political decision on whether to lift sanctions. The US and UK will resist any proposal to lift sanctions that is not based on full Iraqi disarmament.

Diplomats in Baghdad warned that while UN inspectors might be able to account for Iraq's chemical and ballistic missile disarmament by October, the biological file, which Mr Butler said would be "tougher", would be much harder to close.

Mr Butler's optimism follows agreement late on Sunday on an intensive work schedule to be completed by early August. The work programme is based on the "road map" of remaining steps to disarmament Mr Butler took to Baghdad. He said the results he was seeking required full Iraqi co-operation, but he believed it would be forthcoming.

"Whether or not this occurs in October will, of course, depend on the quality of work done in the next two months," he said. "My estimation is that the work will be of high quality with a high degree of co-operation."

Baghdad insists it has taken all necessary disarmament measures and its initial reaction to the "road map" was dismissive. But officials led by Tariq Aziz, the deputy prime minister, agreed to co-operate. They also clarified some points in the missiles file during the two-day talks.

Mr Butler is scheduled to meet Mr Aziz on August 9 to discuss progress.

"It is my earnest hope that we will be looking at a slate that's been pretty well ticked off," he said.

The agreement reached in Baghdad highlights the easing of relations between Iraq and Unscom, the UN inspectors' commission which has repeatedly accused Baghdad of concealing information. Mr Butler said the agreement on a work schedule could not have been achieved without the February meeting between Mr Aziz and Kofi Annan, the UN secretary-general.

The February deal averted a US- and UK-led military strike on Iraq and opened to inspection presidential sites Iraq had declared off-limits. The February crisis highlighted that Unscom and Iraq needed to take steps to improve relations. Most important for Iraq, it reassured President Saddam Hussein that Unscom's work would be speeded up and compliance with UN resolutions would lead to a lifting of sanctions.

Beyond Nuremberg, Page 16

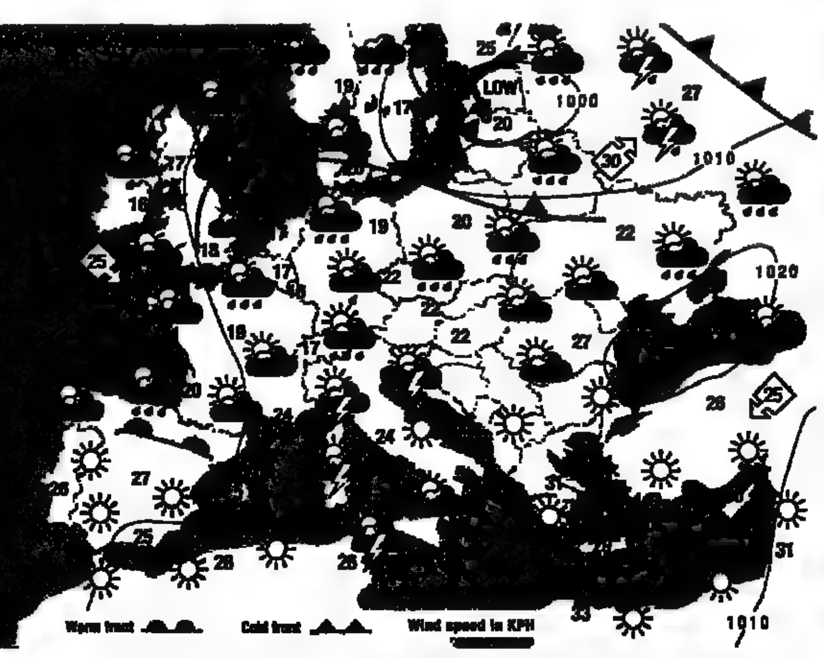
CONTENTS


A statue of Mao stands over a military parade in Shenyang, where factories have closed as state-owned enterprises are reformed. Page 4

FT WEATHER GUIDE

Europe today
Low pressure will dominate much of northern Europe. Scandinavia will experience heavy, thundery rain in many areas, although some sheltered southern areas may stay dry with sunshine at times. Western France will be mainly dry with sunny spells, but eastern France and much of central Europe will have showers, some thundery. The far north-east of Europe will also have heavy, thundery showers. High pressure will keep most parts of the Mediterranean hot and sunny, although afternoon downpours are likely across the mountains of northern Spain and parts of Italy and the Balkans.

Five-day forecast
The central Mediterranean will have thundery showers for the rest of the week, but most of southern Europe will stay hot and sunny. As high pressure expands eastwards from western France tomorrow, temperatures will rise across northern Europe, although British Isles and Scandinavia will have more rain on Wednesday and Thursday



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	40
Accra	Thunder	31
Algiers	Sun	26
Amsterdam	Shower	[illegible]
Athens	Sun	31
Atlanta	Thunder	34
B. Aires	Fair	14
B.ham	Thunder	15
Bangkok	Thunder	34
Barcelona	Fair	23
Beijing	Shower	31
Belfast	Shower	16
Belgrade	Fair	25
Berlin	Shower	19
Bermuda	Fair	28
Bogota	Cloudy	18
Bombay	Shower	34
Brussels	Shower	17
Budapest	Fair	22
C.hagen	Fair	20
Cairo	Sun	33
Caracas	Fair	32
Cardiff	Fair	18
Casablanca	Sun	24
Chicago	Rain	23
Cologne	Fair	19
Dakar	Fair	[illegible]
Dallas	Sun	35
Delhi	Fair	30
Dubai	Sun	42
Dublin	Fair	16
Dubrovnik	Fair	26
Edinburgh	Shower	16
Faro	Sun	28
Frankfurt	Shower	20
Geneva	Shower	17
Gibraltar	Sun	25
Glasgow	Shower	17
Hamburg	Shower	18
Helsinki	Thunder	25
Hong Kong	Fair	31
Honolulu	Cloudy	31
Istanbul	Sun	27
Jakarta	Fair	32
Jersey	Fair	17
Johannesburg	Sun	25
Karachi	Sun	38
Kuwait	Sun	45
L. Angeles	Sun	23
Las Palmas	Sun	27
Lima	Fair	22
Lisbon	Sun	28
London	Shower	18
Lux.bourg	Shower	18
Lyon	Shower	20
Madeira	Fair	24
Madrid	Sun	27
Majorca	Fair	25
Malta	Fair	25
Manchester	Shower	15
Manila	Fair	30
Melbourne	Shower	13
Mexico City	Sun	32
Miami	Sunny	33
Milan	Shower	24
Montreal	Rain	24
Moscow	Thunder	27
Munich	Thunder	18
Nairobi	Thunder	25
Naples	Thunder	27
Nassau	Shower	33
New York	Thunder	30
Nice	Sun	24
Nicosia	Sun	30
Oslo	Shower	19
Paris	Shower	18
Perth	Rain	22
Prague	Shower	19
Rangoon	Shower	31
Reykjavik	Shower	13
Rio	Sun	[illegible]
Rome	Thunder	24
S. Frsco	Fair	25
Seoul	Fair	27
Singapore	Fair	33
Stockholm	Shower	17
Strasbourg	Shower	19
Sydney	Fair	17
Tangier	Sun	28
Tel Aviv	Sun	31
Tokyo	Fair	24
Toronto	Cloudy	27
Vancouver	Shower	18
Venice	Fair	24
Vienna	Fair	22
Warsaw	Shower	21
Washington	Thunder	31
Wellington	Fair	13
Winnipeg	Thunder	25
Zurich	Shower	15

هكذا من الأصل

FINANCIAL TIMES

COMPANIES & MARKETS

© THE FINANCIAL TIMES LIMITED 1998

TUESDAY JUNE 16 1998

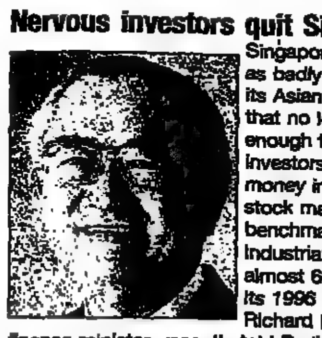
Week 25

INSIDE

German Bank expects LTCB purchase to improve profits

Deutsche VerkehrsBank's $1.57bn acquisition of the aviation and shipping finance business of the Long-Term Credit Bank of Japan will lead to a lasting improvement in its profits. Wolfgang Driese, the German bank's chairman, said the deal was the start of a new era for the group. Page 24

Nervous investors quit Singapore



Singapore may not be as badly off as many of its Asian neighbours, but that no longer seems enough to convince investors to keep their money in the city-state's stock market. The benchmark Straits Times Industrials index is down almost 60 per cent from its 1996 high. Although Richard Hu (left), the finance minister, recently told Parliament the country would not go into recession this year, economic growth is slowing, earnings estimates are shrinking and investors are nervous. Page 46

Canadian group to acquire Excel

Teleglobe, the Canadian telecommunications network operator, has agreed to acquire Excel Communications, the fifth largest US long-distance company, creating an integrated group valued at more than C$10bn (US$6.85bn). Page 21

Eni eyes stake in Gazprom

Eni, the Italian energy group, is considering taking a stake in Russia's Gazprom and may go ahead with a share buy-back programme, the company's chief executive said yesterday. Page 24

Bonds benefit from Asian crisis

Crumbling Asian stock markets and relentless attacks on the Japanese yen sent investors scurrying for the safety of bond markets yesterday, with some futures prices setting record highs as the bullish backdrop for bonds continued. Page 34

Satellite operator ready for float

Luxembourg-based satellite operator Société Européenne des Satellites is planning to float up to 20 per cent of its equity next month on the Luxembourg stock market. The flotation is expected to value SES at up to $6.4bn. Page 25

Tea prices to come under pressure

World tea prices will come under pressure as Kenya harvests a record crop this season and the forecast of a normal monsoon has improved prospects for the Indian crop. Page 38

Qatar to issue sovereign eurobond

The Gulf state of Qatar plans to make its debut on international capital markets with a sovereign eurobond issue of at least $500m. J.P. Morgan and Credit Suisse First Boston have been appointed joint lead managers of the issue. Page 34

COMPANIES IN THIS ISSUE

CROSSWORD, Page 36

MARKET STATISTICS

Legal battle looms over Dunlap sacking

By Richard Waters and William Lewis in New York

Sunbeam directors set faces against severance payment for 'Chainsaw Al'

Al Dunlap, the most outspoken cost-cutter in American business, is likely to face a tough legal battle over severance pay after being unceremoniously forced out as chairman and chief executive officer of Sunbeam over the weekend.

A generous three-year employment contract, signed in February, guarantees Mr Dunlap all of the $2m-a-year salary he would have received until the year 2001, had he not been fired over the flagging performance of the maker of toasters, barbecue grills and other household and outdoor items.

However, the US company yesterday set its face against paying anything to its former chairman. People close to the Sunbeam board indicated the case had already been referred to its lawyers.

Mr Dunlap, who earned the nickname "Chainsaw Al" for his readiness to fire large numbers of employees in the succession of companies he has headed, was ousted on Saturday after a rebellion by Sunbeam's independent directors.

He had earlier used his characteristically blunt methods to slash Sunbeam's costs by reducing its workforce and closing factories, a move that helped lift its share price from around $12 when he joined two years ago to a high of $53 in March this year.

Things went awry within weeks of Mr Dunlap signing his new contract. The company slipped into a loss in the first quarter and it had become apparent in the past two weeks that the blunt-talking chairman would not succeed in pulling off the second-quarter turnaround that he had promised Wall Street analysts a month ago, said Charles Elson, a Sunbeam director.

The share price had fallen to $18 1/16 by the end of last week, lost another $1 3/8 yesterday morning as the company said it would not meet Mr Dunlap's earlier earnings projections.

The speed of Mr Dunlap's fall in part reflected the presence of Michael Price, the activist investor who heads the Franklin group of mutual funds, as Sunbeam's largest shareholder with 17.4 per cent of the company.

Mr Price's impatience with underperforming companies is almost as legendary as Mr Dunlap's, and it was his nominee on the Sunbeam board, Peter Langerman, who called the meeting on Saturday that led to Mr Dunlap's dismissal.

The fact that the Sunbeam directors hold large amounts of stock also contributed to the speed of the decision, said Mr Elson. Mr Dunlap had insisted that the directors buy about $100,000 of Sunbeam stock each, and had paid them in stock, rather than cash. Mr Elson, a law professor at Stetson University, said their personal losses had heightened the sense of urgency.

Sunbeam offered generous terms to keep Mr Dunlap earlier this year when reports spread that he was planning to leave to run another company. Mr Dunlap's last, successful turnaround, at Scott Paper, brought him estimated profits of $100m. Calls to Mr Dunlap and his lawyer, Chris Sues, were not returned yesterday.

Chainsaw massacre, Page 16
Lex, Page 18

AMP exceeds expectations in Australian stock market debut

By Gwen Robinson in Sydney

Shares in AMP, Australia's largest insurance and funds management group, made a strong debut on the Australian stock market yesterday, opening at a 125 per cent premium to their base price of A$16 announced on Sunday.

The shares fell back to close at A$23. But this exceeded market expectations by $2-$3 and valued the group at A$24.7bn ($14.7bn), making AMP Australia's fourth largest company by market capitalisation. More than 35.1m AMP shares worth A$870.5m changed hands, with the price briefly touching A$45, overshadowing an otherwise lacklustre day on the Australian stock market.

"If I could dance, I would be handstanding," said George Trumbull, AMP's chief executive, shortly after the midday listing in Sydney.

Share delight: 'If I could dance I would be handstanding' said George Trumbull yesterday — Reuters

AMP's strong performance delivered a windfall of nearly A$13,000 each to about 1.7m shareholders, former policyholders who were allocated 580 shares each.

Strong demand from fund managers and institutional investors, who were only allocated 13.5 per cent – or 145m shares – before the float, is expected to drive the group's share price up further, possibly to A$25 by the end of the week. Institutions are seeking a bigger weighting of the stock, which will be phased into the benchmark All Ordinaries index from August 1.

Institutions and existing policyholders will also be able to buy or sell more AMP shares through a special facility. About 200,000 shareholders decided before the float to sell 149m shares into the facility, but 35.5m of these were reserved for other shareholders who are entitled to purchase up to A$1,000 worth of extra shares from the facility.

Economists said AMP's listing injected badly needed momentum into both the Australian and New Zealand stock markets, which have been hit hard by recent sharp currency declines. The Australian stock market has fallen about 8 per cent and the Australian dollar has slid more than 10 per cent since AMP launched its prospectus early last month. In the medium term the Australian stock market "needs a star performer like AMP", said one fund manager.

With about 45 per cent of its assets outside Australia – primarily in the UK where AMP owns Pearl Assurance and Henderson, the UK fund manager – AMP will continue to benefit from the Australian dollar's downturn and its image as a safe haven stock, analysts said. The group had about A$150bn in funds under management in April.

● Rodney Cook, chief executive of AMP New Zealand, was left speechless at a function yesterday to mark the debut of his company's shares when they traded at NZ$38.36, $7 more than expected, writes Terry Hall in Wellington. Brisk trading saw AMP rise to NZ$30.60, when it briefly surpassed Brierley Investments to take second place in terms of market capitalisation. It closed at NZ$26.41. Some 6.4m shares were traded, worth NZ$156m ($78m), in an otherwise lacklustre market. New Zealand's 274,000 AMP shareholders were allocated 118m shares.

DTB may launch rival to Liffe's UK gilt future

By Edward Luce

The Deutsche Terminbörse, Germany's derivatives exchange, is "seriously considering" a plan to launch a rival contract to the UK gilt future on the London International Financial Futures and Options Exchange.

The move, which coincides with similar plans at Matif, France's derivatives exchange, would lead to an escalation of the battle between London and its European competitors for dominance in the derivatives market after monetary union.

A spokesman at the DTB, which earlier this year formed a strategic alliance with Matif, conceded it was possible both Matif and the DTB would launch separate contracts on the UK government bond.

The move, which would put Liffe on the defensive after having lost majority market share to the DTB in the future on the German government bond earlier this year, also casts doubt on the solidity of the alliance between the two continental exchanges.

According to the agreement between Matif and the DTB, the two exchanges would develop cross-membership this year and establish a common platform for clearing and settlement in 1999. By 2002 they would have developed a single clearing house and a common trading system listing joint products.

"This [launching rival contracts on the UK gilt] would not technically breach the letter of the DTB/Matif alliance but it would certainly be in breach of the spirit," said the head of derivatives at a US investment bank yesterday.

Officials at Liffe say they have been expecting a new challenge from the DTB and Matif for some time in the wake of Frankfurt's success at winning control of the German bond future.

At a meeting today, Liffe's board of directors is likely to approve a plan to switch trading on its German, Italian and possibly UK gilt futures contracts from its trading floor to an electronic platform.

Officials say the switch would take the edge off the competitive challenge from Liffe's continental rivals by reducing the cost of trading in the exchange's government bond futures. Electronic trading is considered to be much cheaper than trading on an "open outcry" floor trading system. Liffe has trailed DTB and Matif in adopting electronic systems, but plans to introduce a permanent electronic platform by mid-1999.

The DTB is also looking at plans to launch a future on the Swedish government bond even though OM, Sweden's exchange, plans to launch such a contract in September. Both UK and Swedish government bonds are viewed as increasingly important battlegrounds between Europe's derivatives exchanges because neither country will join the first wave of monetary union next January. There will be just one government bond benchmark denominated in euros after Emu compared with 11 now.

Northern Telecom acquires Bay in $9.1bn all-share deal

By Christopher Price in San Francisco and Scott Morrison in Toronto

Northern Telecom became the latest telecommunications equipment group to enter the data networking market yesterday with an agreed $9.1bn all-share deal to buy Bay Networks of the US.

The move ended weeks of speculation over the future of Bay, which had been struggling to keep pace in the fiercely competitive market. It recently appointed Morgan Stanley, the US investment bank, to explore its options.

The deal is the third in as many weeks in which telecoms equipment groups have entered the data networking sector through acquisition. Networking groups, which provide the technology to link and manage computer systems, have become more important as the movement of data outpaces traditional voice telephony traffic, driven by the use of the internet.

John Roth, chief executive of Northern Telecom, Canada's biggest telecom's group, said: "Data traffic is growing at between 30 and 40 per cent a year and the internet is a big part of that. New integrated internet protocol networks will drive this growth and we are the first company of its kind to be able to do that."

The enlarged group will have revenues of more than $18bn and employ 80,000 people. Dave House, chairman and chief executive of Bay, will become president of Northern Telecom. The US company will be a wholly-owned unit of the group.

The $9.1bn all-share deal was based on Friday's closing price of $63.69 for Northern Telecom, and valued Bay at $38.21 a share. At mid-session yesterday, Northern Telecom shares had fallen 12 per cent to $56.2.

Bay shareholders will receive 0.6 per Northern Telecom ordinary share. Following the deal's completion, Bay shareholders will hold 21 per cent of Northern Telecom. Bell Canada, the group's controlling shareholder, will see its interest drop from 51 per cent to 41 per cent.

Two weeks ago, Tellabs, a US telecoms equipment group, paid $7.1bn to acquire Ciena, a US data networking company. This was followed by a $4.4bn takeover of DCS Communications, another US networking group, by Alcatel Alsthom of France.

Springer drops Mirror move

By John Gapper, Media Editor

Axel Springer, the German publishing company, yesterday announced it did not intend to proceed with an offer for Mirror Group, the UK newspaper company.

Mirror's shares dropped on the news, closing 24½p down at 208½p. The company had indicated it wanted a price of at least 300p per share to recommend a Springer offer, but the German group was not prepared to meet this.

Although Gus Fischer, Springer's chairman, was thought to have favoured an approach to Mirror, the company's board was concerned it might be bidding too much.

Axel Springer made the announcement after a meeting of its supervisory board, attended by its two largest shareholders, Leo Kirch, the media owner, and Friede Springer. It is now likely to consider other targets in the UK market. The group is thought to have mulled over an offer for the Express titles, part of United News & Media, but United has indicated unwillingness to sell.

Springer, which was advised by West Merchant Bank, has also considered an acquisition of a UK magazine group. But the group could seek a cheaper target than Mirror, for which it was thought likely to bid about £1bn.

David Montgomery, Mirror chief executive, said Springer's actions had "always looked like an attempt to take control of Mirror on the cheap".

Mirror Group could restart merger talks with Trinity International, the UK regional paper group. Mr Montgomery said Mirror, which held preliminary talks on a merger with Trinity before Springer's approach emerged, was "not bereft of ideas" for mergers and acquisitions, but that remaining independent was a "strong option".

Mirror is thought to have been advised by SG Hambros, its merchant bank, that its shares would be fairly valued at 280p without a control premium. Its main shareholder, PDFM, also identified this as a minimum price for selling out.

Lex, Page 18

END OF AN ERA ON THE SEVENTH ATTEMPT IN 27 YEARS THE DECISION HAS FINALLY BEEN TAKEN TO END ONE OF WALL STREET'S MOST PRESTIGIOUS PARTNERSHIPS

A change of culture and a new strategy

By Tracy Corrigan in New York

The decision to become a public company did not come easily for Goldman Sachs. On the seventh attempt in 27 years, the partners agreed at the weekend to abandon the nearly 130-year-old partnership which has become one of the most prestigious firms on Wall Street.

Sunday's meeting of the executive board, when the decision was made and a plan drawn up, was the culmination of months of discussions – and disagreement – within the firm.

Jon Corzine, co-chairman and co-chief executive officer, who backed the plan, had always insisted on the need to build consensus, but the strategy could have backfired, particularly given the feelings of John Thain and John Thornton, members of the executive committee, who were against a flotation.

When Morgan Stanley went public in 1986, the process was very different. The firm's two top executives took their decision to float to the board and then forced it on the partners. Those who did not like it, lumped it or left, with little ceremony.

At Goldman, the long process of building support for the idea, and the management's willingness to give dissenters an unbiased hearing, seems to have won over some of the cynics.

Jon Corzine is convinced of the importance of consensus, which he believes will ultimately lead to unanimous support for the IPO, when the time comes – there will be a vote in mid-July.

"If people feel unable to express themselves, then we have failed in being a culture which has diversity and intellectual integrity," he says.

He argues that the float will not cause a split because "people willingly came to this decision". He notes that partners at the weekend meeting had expressed "a very clear and strong preference for independence" and for the financial benefits to be distributed among all employees of the firm.

While many at Goldman have felt reluctant to abandon the partnership, some said that there was a feeling the time was right and that the plan to give $6bn-$8bn of the value of the firm to employees below partnership level should help bind some of the associates and vice-presidents who help earn much of the profits to the firm.

Alan Hilliker, a consultant at Egon Zehnder International, the executive search concern, who spent seven years at Goldman says the attempt to keep the family together is "shrewd" and "consistent with the culture of the firm".

But the question people at Goldman are now pondering is that of how the firm will change. The business is clearly set to grow more rapidly, and may make more acquisitions than in the past.

"Over the past five years, there were two to three properties that I think this firm could have gotten very excited about," says Mr Corzine, but its approaches were hampered by the demands of the partnership structure which he describes as "cumbersome".

He admits it "put us at a handicap", for example, in the recent bidding for Banco Garantia, the Brazilian investment bank. But a bigger yet nimbler Goldman will face other changes, which are harder to predict.

The firm has historically had the pick of the staff on Wall Street, but it has also been stretched by the growth of its business. This has placed constraints on the further growth. But without the carrot of a partnership, Goldman's pulling power may diminish and it may not be able to hire hundreds of people and still get only the cream of the crop.

Mr Hilliker says: "It'll remain a prestigious name as long as it does well. Will it have the same cachet? Not quite. But that doesn't mean it's not the same quality." On balance, though, he believes Goldman will be able to "preserve the best of itself".

Indeed, the stated strategy of the management – to build the business largely through organic growth but taking advantage of the firm's new capital structure to make acquisitions with stock when appropriate – suggests that the transformation of Goldman will not be dramatic.

In spite of the concerns of many at the firm, Mr Corzine still feels a sense of trusteeship in the company he is taking to the market.

Speaking in his office on Wall Street yesterday, Mr Corzine pointed to a wall of photographs behind his desk – not of his family but of the previous senior partners of the firm, whom he described reverently as "incredible souls" who had "delivered a culture of excellence" into his keeping.

Outside the firm's prime offices in the Wall Street district of New York, the staff arriving for work looked decidedly composed, calmly refusing to comment on the IPO for television cameras.

Privately, some were feeling a little more excited, in spite of the protestations of the management that people care more about the future of the firm than about the money.

"It's wonderful. I'm rich," said one candid executive.

Ready for change: Gavyn Davies, chief economist based in London (left), Henry Poulson (centre) and Jon Corzine, joint chief executives and chairmen

Float could value firm at about $30bn

By Tracy Corrigan in New York

Goldman Sachs' initial public offering of 10-15 per cent of its own stock in the autumn may be the largest, and will certainly be the most closely watched, flotation in American corporate history.

Goldman, the pre-eminent adviser of blue-chip companies around the world, is faced with the daunting task of pulling off one of the most complex deals ever attempted, with mind-boggling tax implications and structural issues, under a spotlight of publicity.

The timing of the deal, which staff at the firm admit is tied to recent profitability and strong markets, will inevitably be viewed as Goldman calling the market. If the market collapses, and the deal pulled, the embarrassment for Goldman would be considerable.

The exact size of the IPO is not known, partly because it will depend on market conditions at the time of launch. But assuming the total value of the firm is about 4 times its book value – both Merrill Lynch and Morgan Stanley Dean Witter trade close to that level – it will be worth roughly $30bn.

This would value an initial public offering at some $3bn-$4.5bn.

But analysts will look at other measures. Morgan Stanley trades at about 15 times next year's pre-tax earnings, and Merrill at 18 times, according to Jim Hanbury, financial services analyst at Schroders.

He says analysts will also look at return on equity, which Goldman, a partnership, does not disclose.

He expects that "Goldman will probably be valued above the brokerage sector as a group" because of its bulge-bracket status and strong recent performance, and in line with its closest peers, Morgan Stanley and Merrill Lynch.

About $6bn-$8bn of the $30bn value of the firm will be distributed to staff below partner level.

Some of the spoils will also be shared with limited partners, and with investors such as Sumitomo, which owns 10 per cent of the firm.

The remainder will be shared between the 190 partners, depending on their stakes in the business.

However, given the small size of the IPO, much of the value of the firm will remain tied up in the business.

CO-CHAIRMEN SAY DECISION TO FLOAT WAS TAKEN ON STRATEGIC GROUNDS

Money motives frowned upon by God-fearing bankers

By William Lewis in New York

Jon Corzine and Henry Paulson, co-chief executives and chairmen of Goldman Sachs and the driving force behind the firm's flotation plan, appear the antithesis of the greed-driven bankers most people assume dominate Wall Street.

Both deeply religious men – Mr Corzine is a Methodist and Mr Paulson a Christian Scientist – they profess to being appalled by the focus on the huge pay-outs Goldman Sachs partners are likely to receive as a result of the decision to press ahead with an initial public offering later this year.

Condemning as "wrong, speculative and just plain inaccurate" stories about the size of the stakes partners will get in the firm, Mr Corzine said: "There will be no one cashing out. This decision has not been taken on the basis of individuals' finances, it was made for strategic reasons".

Nice words, but surely typical banker-speak? After all, even though Mr Corzine is correct to say that the allocation of shares has yet to be worked out, it is highly likely that all Goldman partners will become very rich as a result of the flotation.

However, slow but sure in his speech, Mr Corzine, with Mr Paulson, is convincing. Neither shows the slightest interest in the money they are likely to make. Instead, the two yesterday enthused about what they describe as "this firm's bright and exciting future".

The collegiate approach to managing the firm with other senior partners is a key difference between it and other Wall Street firms, which tend to be more hierarchical in their approach. The question is, will flotation change that?

Mr Corzine and Mr Paulson argue that the drawn-out internal discussion about flotation illustrated the firm's strength and that debate will continue when Goldman is a public company.

At least one executive committee member was said to be against flotation ahead of last weekend's partners meeting, but Mr Paulson said that "it is a good thing that people have strong feelings and want to share them".

The executive committee will take steps to ensure a wide distribution of shares within the firm. Mr Paulson stressed that all full-time Goldman employees would receive shares as part of the flotation. "By anybody's definition, it will exceed anything I have ever seen," he said.

Teleglobe to buy Excel Communications

By Scott Morrison in Toronto

Teleglobe, the Canadian telecommunications network operator, has agreed to acquire Excel Communications, the fifth largest US long-distance company, creating an integrated long-distance group valued at more than C$10bn (US$6.8bn).

The transaction, which will create the fourth largest telecoms group in the US, will transform Teleglobe from a network operator that serves long-distance carriers into a retail service provider.

The deal is to be accounted for as a "pooling of interests". Excel shares will be traded for 0.885 Teleglobe shares, leaving Teleglobe shareholders with 51.5 per cent of the new entity. Excel's C$5.2bn market capitalisation is slightly higher than Teleglobe's C$5bn.

Charles Sirois, Teleglobe chief executive, will head the combined entity, while Excel founder Kenny Troutt will be president and chief operating officer. Mr Troutt said he had agreed to the terms, despite current market values, because Excel's share price had risen in recent days on rumours of a deal and speculation that it would receive a premium. He said he was seeking long-term benefits for his shareholders rather than short term gains.

The transaction, which should close by the end of the year, will give Excel the international network to expand geographically and to provide other services such as overseas internet access and international calling cards. The deal provides Teleglobe with an extensive US fibre-optic network and Excel's marketing expertise. Analysts said Excel has been very successful at winning US market share and would bring Teleglobe the marketing expertise it needs to expand in Europe and Japan.

Analysts could see few cost-saving synergies, but said the combination would enable the group to increase revenue and enter new markets. Teleglobe had 1997 sales of C$2bn, while Excel's sales last year were US$1.4bn. The combined company should have annual revenues of about C$5bn, Mr Sirois said. The two executives told analysts that earnings per share of the enlarged group should grow more than 20 per cent over the next few years.

The transaction would put Teleglobe into direct competition with the long-distance companies it has served. Mr Sirois and Mr Troutt said they would consider entering local telephony markets in the US, though one analyst suggested that increasing Teleglobe's corporate subscriber base should be a priority. Excel has 6m residential customers and 65,000 business clients.

BCE, Canada's largest telecoms group and owner of 24 per cent of Teleglobe, said it would spend US$264m to buy almost 8 per cent of Excel's equity to retain a 16 per cent interest in the combined group. It has the right to lift its stake to 20 per cent. Mr Troutt will control 22 per cent of the company and Mr Sirois 9 per cent.

Reborn Wang hits the recovery track

Beyond the name, little of old group remains, writes **Victoria Griffith**

Six years ago Wang Laboratories was bankrupt. Once one of the best-known computer companies in the world, it had fallen victim to rapid technology changes.

Today, Wang Global, as it is now called, is aiming once again to compete with the world's largest computer companies, this time in the services sector.

Through acquisitions and internal efforts, Wang has refashioned itself, providing maintenance, systems integration and other management services for networked computer systems.

With sales in the last fiscal year of $1.4bn, Wang has yet to reach the turnover of $2.9bn it chalked up at its peak. However, the purchase of Olsy, Olivetti's information technology services and systems unit, is expected to drive annual revenues above $3bn in the year ahead.

Joe Tucci, chief executive of Wang Global, deserves credit for the rebirth. He has quadrupled sales and more than tripled market capitalisation since 1992. With the Olsy purchase, Wang rejoined the ranks of the Fortune 500 and gained a global presence.

To accomplish all this, Mr Tucci has played a difficult game: keeping one foot in the past while looking to the future. Although the company is tarnished by its financial history, it is still a well-established name around the globe, he says.

Beyond the name, not much of the old Wang is left. Of 32,000 employees, only 4,500 were with the company before 1992. "Global" was added to the name this year, to signal its new market breadth.

The collapse of the former Wang has yielded some important management lessons among them the importance of speed. "A lot of people say Wang failed because it did not recognise the importance of the personal computer," says Mr Tucci. "I don't think that's true. What they failed to see was how quickly it would happen."

The decision to shift the company from computer production to the service business was dictated in part by necessity. "In 1992, we were in bankruptcy, which means we didn't have any cash. It was clear we'd have to move to less capital intensive activities."

Mr Tucci was also influenced by his faith in the rise of network computing. The old mainframe model placed users in a strait-jacket, yet personal computers allowed for no central control. "It was clear to me that we'd have to move to a hybrid of the two, combining the best of both worlds," he says.

Mr Tucci is ambitious. He has negotiated some important service partnerships with Dell, Cisco, and most recently, Microsoft, and hopes to leverage expertise in these companies' systems and software to build up a global consulting business. He says Wang will achieve $5bn in revenues by 2000. "At that point we'll have the economies of scale to compete with anyone. I'm not saying I'm satisfied with that, but it's the point of critical mass."

Joe Tucci: partnerships with Dell, Cisco and Microsoft

But Wang still faces big challenges. While its revenues have picked up, its share price has faltered, dropping about 23 per cent in the past three months. And the company was still in the red in its last quarterly results. Mr Tucci says the losses are attributable to the accelerated write-off of acquisition costs, particularly of Olsy, and that Wang will return to the black next year.

John Webster, analyst with the Yankee Group, is concerned about its lack of organic growth. "Wang has been expanding mostly through acquisitions. For organic growth, they will have to improve their sales effort and customer relations," he says. Wang also needs to do a better job marketing itself to customers who may associate it with its bankruptcy.

To Mr Tucci, such problems seem minor compared with what he and the company have already been through.

"I'm sitting here with $240m in cash, a $3.6bn revenue stream, and a bunch of banks just gave me a $500m line of credit," he says, smiling. "If I can't play this hand better than the one I had six years ago, when we had no cash and our revenues were dropping 30 per cent a year, I'd be surprised."

3M blames earnings dip on Asia crisis

By Nikki Tait in Chicago

Minnesota Manufacturing & Mining (3M), the broadly-based manufacturing group seen as a bellwether for the US economy, sent a shudder round Wall Street yesterday, when it warned that second-quarter earnings would be below those achieved in the same period a year ago.

In its second profits warning in 12 months, the company said earnings from 1998 overall would probably show little advance from the 1997 figure.

The company blamed the economic weakness in Japan and Asia for the lower-than-expected result, together with "modest overall US growth" and the increasing strength in the US dollar.

"We have a strong presence in Japan and Asia, and our businesses continue to be affected by the economic contractions in that area," said Livio DeSimone, 3M chairman.

He added that the US operations had seen "good demand" in selective areas, but that softness in the electronics sector and "certain other industries" had held back growth overall. 3M's wide product range stretches from abrasives and sealants, to office supplies, electrical connectors and medical and dental products.

Looking forward, Mr DeSimone suggested that profits for the whole of 1998 would probably only be flat, despite an overall improvement in the first half. "At this juncture, we're assuming that Japan and Asia will remain weak, the growth of the US economy will slow somewhat in the second half, and that US dollar will remain strong," he said.

Yesterday, the company said that it was currently predicting that the strength of the dollar would reduce 1998 earnings overall by about 10 per cent. The effect on second-quarter earnings would be similar. 3M is now predicting that its second quarter result, in terms of earnings per share, will stand at between 90 cents and 94 cents. A year ago, the company made 99 cents, or about $418m, in the second quarter.

Last December, 3M had rattled Wall Street when it said that earnings in the final quarter of 1997 would be below expectations. Again, it blamed the situation in Asia and the strength of the US currency, but analysts were more surprised then by the company's additional caution that it was seeing only "moderate" sales growth in the US and that this was holding back fourth quarter results.

According to the First Call research firm, analysts' forecasts for second quarter earnings had averaged around $1.05 a share before yesterday's warning, and about $4.25 for the year, compared with the $1.63bn, or $3.88 a share, it made in 1997.

By midday, 3M shares were down $4⅛ at $82½.

Mattel warns of shortfall as it agrees $700m deal

By Richard Tomkins in New York

Mattel, US maker of the Barbie doll, yesterday warned of a sharp profit shortfall in the second quarter but tempered the announcement with news that it had agreed to buy Pleasant Company, another US doll maker, for $700m.

Pleasant Company makes American Girl, a range of dolls, books and accessories that are aimed at a more educational segment of the US doll market than Barbie, the world's best-selling toy.

The company was founded in 1985 by Pleasant Rowland, a former teacher and author of children's educational programmes, partly to offer girls a more sophisticated alternative to Barbie.

Unusually, it sells its products by direct mail, and has grown to become one of the 20 biggest US direct-mail companies. Annual sales are about $300m.

Jill Barad, Mattel's chairman and chief executive, said Mattel would benefit from Pleasant Company's direct-marketing operation and Pleasant Company would benefit from Mattel's ability to spread the American Girl concept to other countries.

The acquisition would be "modestly accretive" to 1998 earnings.

Mattel said its second-quarter profit shortfall was due to continuing inventory reductions at Toys R Us, the US toy retailer which has been suffering tough competition in its domestic market from discount stores and membership warehouses.

The inventory reductions also hit Mattel's earnings in the first quarter, when the company suffered a sharp fall in the shipping of Barbie dolls.

However, Mattel said yesterday it remained confident that it would achieve earnings per share growth of 18 per cent for the full year.

Mattel said second-quarter revenues would be about 10 per cent lower than in the year-earlier period, resulting in earnings per share of about 20 cents – significantly lower than the 25 cents previously expected by analysts.

In last year's second quarter, Mattel had net profits of $75.6m and earnings per share of 25 cents.

MALAYSIA PRUDENCE PAYS OFF AS RIVALS' LOANS UNDERPERFORM

Public Bank holds firm in face of crisis

By Sheila McNulty in Kuala Lumpur

Public Bank used to be a group investors in Malaysia's stock market spoke of avoiding – it did not take big risks and, therefore, did not stockpile big returns. But as the economic crisis deepens in Malaysia, Public Bank is one of the few financial institutions investors will buy.

"They're fairly boring and stable," says Jonathan Duckett of the institutional sales team at Paribas Asia Equity. "And, right now, that's a good combination."

Public Bank is reported to be the nation's third largest in terms of assets: last week it announced M$66.4m ($16.6m) in net profit in the first quarter, which ended March 31, exceeding analyst expectations as it swung from losses of M$85.1m in the fourth quarter of 1997. Its loan loss and provisions fell 46.7 per cent to M$201.5m and non-interest income rose 74 per cent to M$112.4m.

Public Bank's non-performing loans, as a percentage of total loans, amounted to 1.66 per cent in March, up from 1.42 per cent in December. But that remains, by far, the lowest in the banking industry, according to Paribas Asia Equity, which puts the average at about 7 per cent.

Economists predict that by the middle of next year almost one in four loans in Malaysia's banking system will be non-performing as the slowdown forces borrowers to stop making payments. Financial institutions fear exacerbating the problem and many have virtually stopped lending money.

Public Bank's loans and advances added up to M$19.6bn in the first quarter, down from M$20.5bn in the fourth. Customer deposits totalled M$30.4bn in the first quarter, down from M$32bn in the fourth, resulting in a loan-to-deposit ratio of 64.4 per cent.

Most investors are wary of buying shares in any Malaysian financial institution. But a number of analysts say they are recommending investors buy Public Bank.

"It's woken people up to the fact that it's not all doom and gloom here," Mr Duckett says. During the quarter just ended, Public Bank completed a one-for-five bonus issue of 330.6m shares, and a one-for-five rights issue of 330.6m shares at M$1 each for local shares and M$1.14 each for foreign shares. This raised M$344.5m in cash, which the bank is to put towards working capital and strengthening its capital adequacy ratio.

Paribas Asia Equity projects Public Bank will post M$251.9m in net profit for the 1998 financial year, which ends December 31, and M$286.9m in net profit for 1999. The group reported net profit of M$274.9m for 1997, down from M$408.1m in 1996.

Analysts do not expect the bank to need recapitalisation this year, like many other Malaysian financial institutions. The government is establishing an Asset Management Company to buy the non-performing loans and assets of troubled financial institutions with a M$25bn rescue fund.

China not so sweet for Tate & Lyle

By James Harding in Guangxi

Tate & Lyle, the UK sweeteners group, is seeking to stem losses at its sugar mills in southern China, which have become entangled in one of the contradictions of the country's "socialist market economy".

The two processing plants seemed a promising investment when they were taken over by Tate & Lyle in a joint venture with Swire, the Hong Kong-based trading company, for an initial sum of about $32m in 1994.

However, the mills have been increasingly squeezed by the anomaly of China's price-control system: the cost of sugar cane, which is set by the government, has risen sharply, while the price of ex-factory sugar, which is determined by market forces, has crumbled.

A Chinese rock sugar vendor: sugar consumption in the country has grown less than expected

Graham Coleman, Tate & Lyle Swire's chief representative at the mills in China's southern Guangxi province, said: "We have the simple problem of a fixed cane price and a floating sugar price."

Tate & Lyle declined to give details of the financial performance of the two mills, but Mr Coleman said both plants had been informed that Tate & Lyle Swire would not bail out any future losses: "The two mills have got to stand on their own two feet. If there is any shortfall, it will have to be funded by a local bank loan."

Huang Jianhui, a director of one of the mills, said losses at the one plant last year were roughly RMB30m ($3.6m) compared with RMB22m the year before.

Mr Huang said the company had sought to keep losses below RMB10m this year, but that this looked unlikely as the price of sugar has kept falling.

The Chinese government raised the price the company had to pay for sugar cane by 60 per cent in 1995, from RMB180 to RMB280 a tonne. The cane price has since come down slightly, to RMB230 a tonne.

Meanwhile, the market price of processed sugar has fallen by more than a third. In 1994, ex-factory sugar was selling for about RMB4,600 a tonne, sliding to RMB3,800 at the beginning of this year before tumbling further to the current price of below RMB3,000.

As the Guangxi plants use roughly 10 tonnes of cane – costing RMB2,300 – to produce one tonne of China grade-one white sugar, the mills have been left little margin for profit.

"The price has just been going down and down, largely because the government's efforts to grow more sugar have meant a huge increase in the output of cane," said Mr Coleman. He added that the two plants had roughly 60 per cent of the sugar they had processed in store.

The mills, which were previously owned by the Guangxi provincial government – which retains a one-third stake in the venture – have multiplied output since Tate & Lyle Swire took a 65 per cent stake in the business. Mr Coleman says the two mills crushed 800,000 tonnes of cane last year, up from about 260,000 tonnes in 1994.

The growth of sugar consumption in China has been slower than expected, despite starting from a low base. "The consumption per capita has been roughly the same for a number of years," said another Tate & Lyle representative in Guangxi. He estimated China's per capita sugar consumption at approximately 7kg a year.

China's leaders are understood to be considering reform of the system of sugar price controls, but it is still unclear when and how the new policy will be implemented.

NEWS DIGEST

STEEL

Sluggish sales prompt Posco to cut production

Pohang Iron & Steel, South Korea's largest steelmaker, yesterday said it would cut production for the first time in its 30-year history because of sluggish domestic and foreign sales. The group plans to reduce steel production by 1.7m tonnes to 24.7m tonnes, from the 26.4m tonnes it produced in 1997.

Posco sales have been affected by lower orders from the domestic car, electronics and construction industries as Korea suffers its worst recession in two decades. The steelmaker said it hoped the cut in production would also help boost export prices in other Asian markets. Posco has increased its production capacity over the past five years in an effort to overtake Nippon Steel, of Japan, as the world's biggest steel company.

The Korean company recently suggested an equity swap with Nippon Steel to prevent Asian steel prices from falling, through an informal cartel arrangement between the region's biggest producers. The swap proposal comes as the Korean government prepares to sell nearly all of its 33 per cent stake in Posco to foreign investors. **John Burton, Seoul**

DRINKS JOINT VENTURE

Doosan sells out to Seagram

Doosan, South Korea's biggest brewery, yesterday said it had sold a majority interest in its whisky joint venture to its foreign partner, Seagram of Canada, in a $90m deal.

Seagram, which already controls half the venture, will acquire another 27.8 per cent for $59m, while providing an added $31m in a long-term loan to Doosan with an annual interest rate of 5 per cent. Doosan-Seagram, which was established in 1980, has an estimated 60 per cent share of Korea's $640m whisky market. Seagram said the Korean market still had "infinite possibilities" despite the nation's economic problems.

Doosan has been restructuring its operations since 1995 to reduce heavy debts. It plans to merge or sell 19 of its 23 units by the end of 1998 to concentrate on advertising and construction, as it abandons its traditional emphasis on beverages and food. The group is also negotiating with Belgium's Interbrew to sell its Oriental Brewery division, Korea's largest. **John Burton**

AIRLINES

PAL backed over retirements

The Philippines department of labour yesterday upheld the right of the management of Philippines Airlines to implement an early retirement policy, which triggered a crippling pilots' strike.

Jose Espanol, labour under-secretary, said: "We upheld the prerogative of management to use section two of the collective bargaining agreement with the pilots' union." The airline used this provision to start retiring 200 pilots when it became clear it was going to lose US$200m for the year ending March 1998.

The pilots struck on June 5, disrupting its international and domestic routes and compounding its financial woes. The airline, which said it was being driven to bankruptcy by the strike, fired 620 pilots, or almost its entire crew, when they ignored the government's order to return to work last week. PAL took the opportunity to begin downsizing its fleet by one-third and said it would concentrate on domestic routes. It also announced it would sell its aircraft, including those ordered from Boeing but not yet delivered.

While its pilots continued to picket the carrier's offices in Manila, PAL management was handing out termination notices to more than 5,000 employees, including pilots. The airline said the retrenchment of 40 per cent of its workforce would affect all levels, from management to ground personnel and cabin crew. The pilots' union had no immediate comment, saying the matter was in the hands of its lawyers. **Abby Tan, Manila**

CARMAKING

Mitsubishi sees currency boost

Katsuhiko Kawazoe, president of Mitsubishi Motors, said the yen's slide was expected to boost the carmakers's earnings from exports, but not as significantly as in the past.

"We cannot expect the yen's slide to have as strong an impact as it had on our earnings in the past, as we now have local plants in each market, and we have proceeded with localisation," he said at a press conference for the release of a new car model. Referring to overall domestic car sales, Mr Kawazoe said: "I think the potential for auto demand remains strong. Sales of new models are strong, but not any model has strong sales."

Mr Kawazoe said Mitsubishi Motors was considering linking with foreign carmakers, although it had no concrete plans at present. "As long as there is a business chance, we will tie up with anyone," he said. The company was studying a restructuring in the US, including cutting employee numbers and revising its sales strategy, he added. **AFX-Asia, Tokyo**

هكذا من الاصل

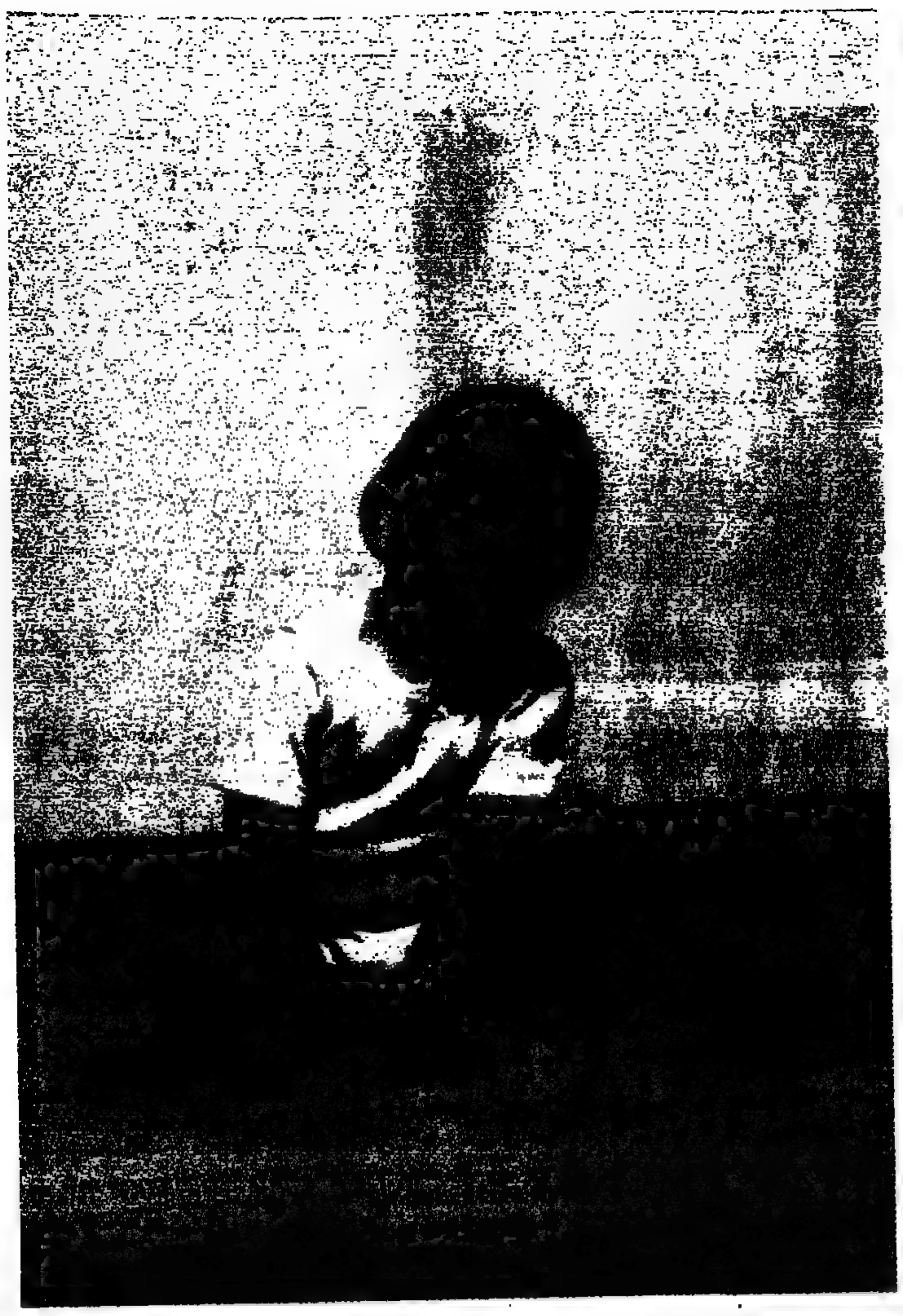
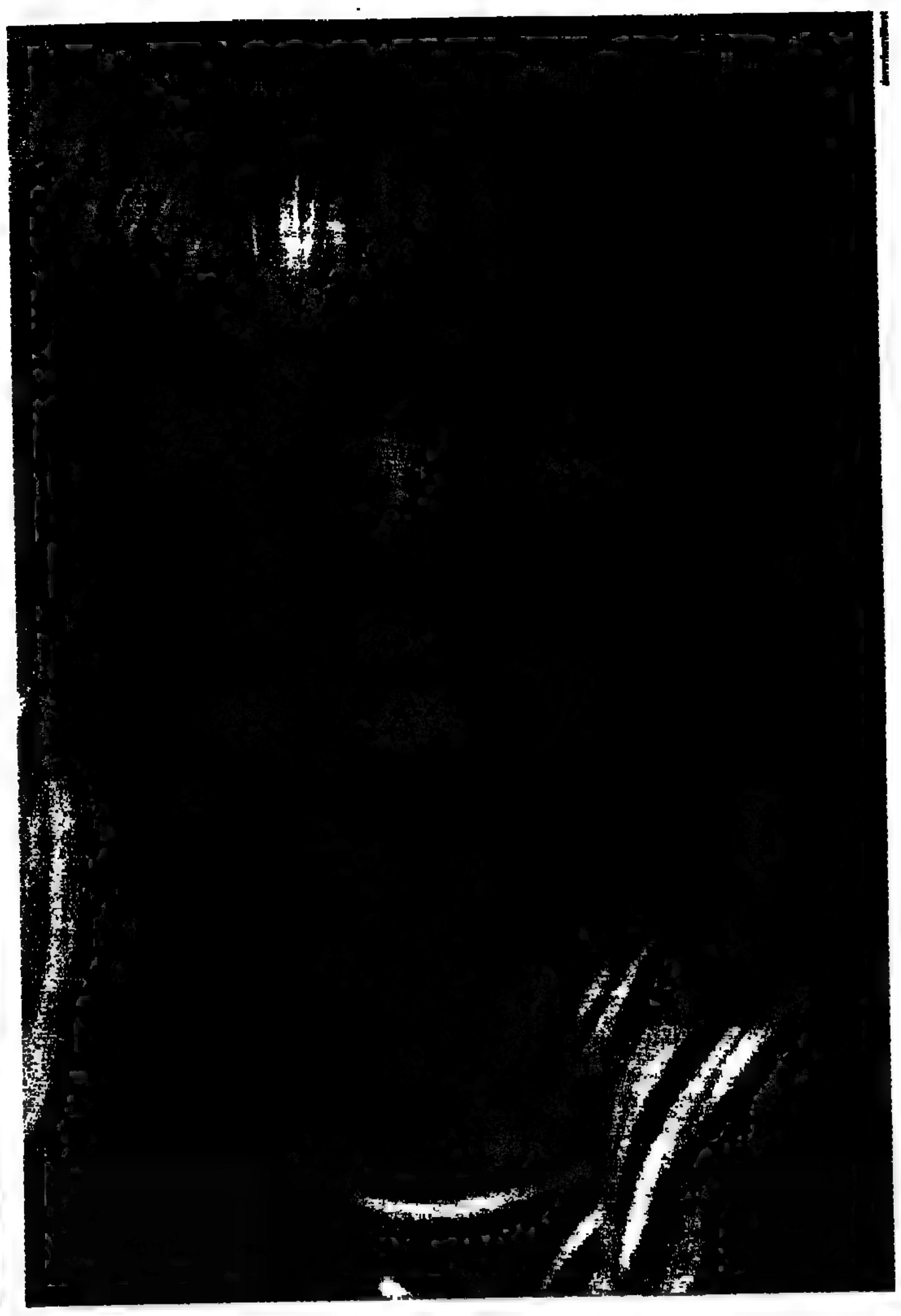
te & Lyle

ish sales prompt
to cut production

an sells out to Seagram

backed over retirements

itsubishi sees currency

RHÔNE-POULENC UNITING SCIENCES FOR LIFE

OUR PRODUCTS PROTECT HER TODAY. OUR DISCOVERIES WILL PROTECT HER TOMORROW.

Cancer, AIDS, cardiovascular ailments, Parkinson's disease... These are just a few of the targets of Rhône-Poulenc's research in the life sciences. At our subsidiaries, Pasteur Mérieux Connaught and Rhône-Poulenc Rorer, we're discovering the vaccines and medications of the future. We're developing treatments that will be more easily tolerated. All life sciences at Rhône-Poulenc have one important goal: to improve the health and well-being of people both today and tomorrow.

http://www.rhone-poulenc.com

RHÔNE-POULENC

TELECOMMUNICATIONS RESIGNATION OF OPERATIONS CHIEF SPURS SHAREHOLDERS TO TRY TO DILUTE POWER OF CHAIRMAN

Telecom Italia may recreate CEO post

By James Blitz in Rome

Telecom Italia, the telecommunications group, is expected to recreate the post of chief executive and begin the search for someone to dilute the power of Gian Mario Rossignolo, chairman.

As the company prepares today for what could be a stormy annual general meeting in Turin, leading shareholders – including Gianni Agnelli of the Fiat empire, and Alessandro Profumo, chief executive of Credito Italiano bank – said a "capable" chief executive had to be appointed.

Tomaso Tommasi di Vignano, the former chief executive, resigned in February because of a clash with Mr Rossignolo over the latter's powers. His post was quickly abolished.

At the end of November, Mr Tommasi resisted a similar challenge to his position and demands for greater checks and balances on management. That clash led to the resignation as chairman of Guido Rossi, former head of Consob, the Italian stock exchange regulator.

Calls for the reinstatement of the position of chief executive and someone to fill it followed another management upheaval at the weekend, triggered by the sudden resignation of Vito Gamberale as managing director of operations.

The resignation, the third since Telecom Italia was privatised last September, affected the group's share price, which yesterday fell 2.1 per cent to L12,728.

Mr Gamberale's move appeared to have backfired and there were calls from senior company figures for him to quit the group altogether, against his wish to go back to running Telecom Italia Mobile, the mobile phone subsidiary. "His resignation was an insult to the company and I think he has to go," said one person connected with the group.

However, Mr Gamberale's move has brought fresh calls for an overhaul of the management structure created by Mr Rossignolo, under which he acts as a "very powerful chairman" with three general managers underneath him.

Mr Agnelli, whose Ifil holding company holds 0.6 per cent of the group, reiterated his call for Telecom Italia to appoint a "capable chief executive".

Mr Profumo, whose group has a 0.76 per cent stake, agreed, saying it was a view that he had shared "from the first".

Ministers in the Italian government, whose 5 per cent stake is still the largest single holding in the group, indicated they would announce plans for a management overhaul today. However, they warned that finding a new chief executive could take months.

Massimo Sarmi, a veteran within the telecoms group, is expected to take over from Mr Gamberale as managing director of operations. Senior figures say they expect Mr Rossignolo to stay at his post, in spite of the dilution of his powers.

Today's annual meeting has been billed as a difficult moment in the transition of Telecom Italia from state holding to public company.

A range of small shareholders and politicians – including Antonio Di Pietro, the former Milan magistrate who helped topple the former Christian Democrat dominated regime – is expected to appear at the meeting, demanding greater rights and possibly a seat on the board.

Gianni Agnelli: wants 'capable' chief executive appointed AP

German bank expects boost from LTCB unit

By Andrew Fisher in Frankfurt

Deutsche VerkehrsBank's \$1.57bn acquisition of the aviation and shipping finance business of Long-Term Credit Bank of Japan will lead to a lasting improvement in its profits, Wolfgang Driese, chairman of the German bank, said yesterday.

He said the deal – signed on Friday – represented the start of a new era for the bank, which is building up its specialist transport and infrastructure financing and advisory business.

"We can now achieve in one move the strategic aims we had set ourselves for the next five years," Mr Driese said. The business being bought from LTCB was profitable, with "healthy margins".

Deutsche VerkehrsBank, 62 per cent owned by DG Bank and with total assets of DM10.4bn (\$5.8bn), only broke even last year after 1996 net profits of DM7m. This was the result of write-offs on non-transport business. However, in the first five months of this year, operating profits before risk provisions rose 42 per cent.

In spite of the Asian crisis, Mr Driese said passenger numbers in world aviation were expected to rise by an annual average of 5.5 per cent after doubling in the past 10 years. This would mean a further doubling in the next 10 years. Freight business should grow at a faster rate.

Total airline investment needs in this period should be about \$400bn. Of this, North America is expected to account for 40 per cent.

The purchase of the LTCB loan portfolio – with the outstanding loans valued at current market rates – will put Deutsche VerkehrsBank among Europe's top five or six aircraft and shipping finance banks, said Klaus Heinemann, head of the aviation finance business.

The main competitors in Europe were French, Dutch and other German banks. US and Canadian banks were also involved in the world market, said Mr Heinemann, who is moving with his team to Deutsche VerkehrsBank.

Most loans in the LTCB portfolio still had about five years to run. The normal maturity of loans in the aviation sector was between 10 and 12 years. The aviation part of the portfolio was \$1.4bn, with shipping finance accounting for \$171m.

Deutsche VerkehrsBank intends to become more active on the advisory side of aviation and transport finance. Mr Heinemann said this strategy, necessary to maintain market share, would bring it into competition with leading investment banks. More aircraft and shipping was also being financed through the capital market.

Eni may purchase stake in Russia's Gazprom

Eni, the Italian energy group, is considering taking a stake in Russia's Gazprom and may go ahead with a share buy-back programme, Franco Bernabe, chief executive, said yesterday, AFX News reports from Milan.

Speaking at a news conference ahead of the Treasury's offer of a fourth tranche of Eni shares, Mr Bernabe said one of the topics in its alliance talks with Gazprom included Eni taking a stake in the Russian group.

The company expected to conclude talks with Gazprom by the end of this year.

The Italian Treasury is offering 1bn shares in the company, valued at about L12,000bn (\$6.8bn), in one of the biggest deals in Europe this year.

The sale, which will see the state's stake fall below 51 per cent, is aimed mainly at Italian retail investors, who have been provisionally allocated 75 per cent of the total.

Mr Bernabe said the company would look at launching a share buy-back programme when Italian laws concerning such operations were changed.

"We will consider a buy-back if and when such an operation is in the interest of creating value for shareholders," he said.

Mr Bernabe said he was not worried that current turbulence on equity markets would hurt the offer of Eni shares. The company expected "to realise good and stable results".

Mr Bernabe reiterated forecasts of higher group net profits, but a lower parent result, in the full year. But he added that the parent figure was "irrelevant", saying "what matters is the consolidated result".

Marco Mangiagalli, chief financial officer, said the company expected a slowdown in the "positive trend" seen in 1998 in operating profit margins for its downstream business.

He expected oil prices to remain at current levels for the remainder of the year and forecast a 5 per cent increase in Eni's oil and gas production in 1998.

Mr Bernabe, meanwhile, said the company expected to achieve L700bn in annual fixed-cost savings at its refinery and marketing operations in 2001, after achieving annual savings of L300bn in 1997.

The company also forecast annual fixed-cost savings of L600bn at its petrochemicals sector in 2001, through plant closures and divestments, against L200bn in 1997.

Eni's roadshow will begin on June 20 and the sale is planned for between June 22 and 26.

The maximum price of the offer will be established on June 20 and the definitive price will be fixed on June 27.

NEWS DIGEST

BANKING

Crédit Lyonnais chooses Schroders as adviser

Crédit Lyonnais has chosen Schroders from among seven merchant banks as adviser on its privatisation, due before October next year. Yesterday's decision follows an accord between the French government and European Union competition authorities in Brussels after a long-running dispute over state aid for the bank. The dispute at one stage threatened to force the bank to sell key parts of its international business.

News agencies in Singapore yesterday reported that Crédit Lyonnais planned to sell Credit Lyonnais Australia as part of a global divestment programme. Jacques Kosciusko, executive vice-president of the bank's international division, was reported to have said the unit was chosen because it was not seen as part of the bank's core business in Asia.

As part of the deal with Brussels, a broad privatisation timetable was fixed but the detail was left to be worked out by the French finance ministry. Crédit Lyonnais is aiming for a two-stage sell-off. The first would be the direct sale of a small tranche later this year to a group of friendly shareholders.
Robert Graham, Paris

SWITZERLAND

IPO values Callebaut at SFr1.6bn

Shares in Barry Callebaut, the world's biggest manufacturer of industrial chocolate, were floated on the Swiss stock market yesterday in an initial public offering valuing the company at SFr1.6bn (\$1.1bn). The 1.42m shares, representing 27.5 per cent of the equity, were priced at SFr310, at the lower end of the SFr300 to SFr340 range set a fortnight ago.

The company is raising SFr208m of new equity and Klaus Jacobs, the Swiss financier who owns the company, has raised SFr233m through the sale of part of his stake. The offering, priced at 17 times estimated 1999 earnings, was four times oversubscribed. One-third of the shares was bought by UK investors and another 15 per cent by US investors.

Barry Callebaut's shares closed unchanged at SFr310 yesterday. By contrast, the shares of Gretag Imaging, a leading manufacturer of photofinishing equipment, closed at SFr137 – 5.5 per cent below their their SFr145 issue price on their first day of trading. Barry Callebaut and Gretag Imaging are the two biggest IPOs on the Swiss stock market this year.
William Hall, Zurich

TELECOMMUNICATIONS

Deutsche Telekom hit by ruling

Deutsche Telekom, the German telecommunications group, was hit by a fresh ruling yesterday over charges for customers who contract permanently to rival telecoms companies for long-distance calls. Klaus-Dieter Scheurle, telecoms regulator, said that until the end of this year Deutsche Telekom could charge only DM27 (\$15) when customers "pre-select" a rival. That would fall to DM20 next year and DM10 from January 2000. Deutsche Telekom had originally sought DM95 but later offered to charge only DM49 in 1998, DM35 in 1999 and DM20 in 2000.

Mr Scheurle complained Deutsche Telekom had given insufficient information on how it intended to cut costs. His ruling was based on international comparisons. But Deutsche Telekom said the prices set were "clearly below our costs" and it would consider legal action. **Ralph Atkins, Bonn**

ENTERTAINMENT SEAGRAM POISED TO CONFIRM UNIVERSAL CHIEF AS HEAD OF MUSIC DIVISION

Lévy set to leave PolyGram with pay-off

By Alice Rawsthorn

Seagram is expected shortly to announce it has agreed terms for Alain Lévy, president of PolyGram, the Dutch entertainment group for which it mounted a $10.6bn bid, to leave with a substantial pay-off.

Mr Lévy, a French-born executive who orchestrated PolyGram's rise into the world's biggest record company, is believed to be in the final stage of severance talks. He is understood to have held preliminary discussions with two other companies.

Seagram is poised to announce his departure and confirm that Doug Morris, head of its Universal Music subsidiary, will chair its enlarged music division.

It is also expected to affirm that Jorgen Larsen, Danish-born president of Universal Music outside North America, will adopt the same role after the PolyGram merger. Mr Lévy's departure, coupled with Mr Larsen's expected promotion, has triggered speculation about the future of other senior PolyGram executives, notably Roger Ames, head of PolyGram's worldwide music interests.

Seagram is believed to be keen to retain members of PolyGram's international team.

However, executives such as Norman Cheng and Rick Dobbis, respective heads of its Asian and European operations, are expected to be courted by rival multinational music groups.

Mr Morris, 59, has long been tipped to run the merged PolyGram and Universal operation, which will command 24 per cent of the $38bn music market.

A former Warner Music executive and songwriter, who co-wrote *Sweet Talkin' Guy*, he is credited with turning Universal Music into the most successful part of Seagram's entertainment interests since its acquisition of the MCA Group in 1995.

Under Mr Morris, Universal has released a string of hits from best-selling acts such as Beck, Aqua, No Doubt, the Wallflowers and Bush.

It has strengthened its presence in North America, but is still by far the smallest of the "big six" music groups worldwide.

The merger of PolyGram and Universal will be delayed for up to six months until it has been cleared with US and European anti-trust authorities. Seagram is concerned about the risk of the two businesses deteriorating during the delay.

Mr Morris must also revitalise PolyGram's demoralised management. After the takeover, PolyGram will forfeit its independence as a publicly quoted company, and become a division of the larger Seagram group.

SES prepares for launch with a more earthly destination

The Luxembourg-based satellite operator is set to float up to 20 per cent of its equity, writes **Cathy Newman**

In a wooded lane just outside Luxembourg there is a scene akin to science fiction – a field full of satellite dishes.

The site is Château de Betzdorf, home to Société Européenne des Satellites, which is about to float on the Luxembourg stock market.

The "dish field" controls and tracks the seven Astra spacecraft owned by SES and which are capable of transmitting 1,000 television and radio channels across Europe.

The biggest satellite operator in Europe, and third in the world, SES employs just 260 people but had revenues of LFr18.4bn ($494m) last year.

Its satellites broadcast into 70m European households. Clients such as British Sky Broadcasting, the UK pay-TV company, the British Broadcasting Corporation and Viacom, owner of the music channel MTV, buy space on SES satellites.

SES, which plans to issue its prospectus on Thursday, is floating between 15 per cent and 20 per cent of its equity next month, with a listing on the Luxembourg Stock Exchange and in London on Seaq International.

The flotation is expected to value the company at between $5.5bn and $6.4bn, with the stake being placed worth between $800m and $1bn.

Existing shareholders, which include the Luxembourg government and Deutsche Telekom, will reduce their stakes by at least one-sixth.

No fresh money will be raised, although Romain Bausch, director-general of SES, says: "If we want to do a very important investment, there may be the need for fresh money in the future."

Mr Bausch has steered SES since 1995, after Pierre Meyrat, the founding director general, was ousted by the board. He was accused of cosying up to dominant companies such as Rupert Murdoch's News Corporation by trying to allocate too much satellite capacity to them.

Company directors guard SES's independence just as jealously now. That is one reason why Fiduciary Depositary Receipts will be issued instead of ordinary shares, to prevent one shareholder having more than 10 per cent of the voting rights.

By making plain that it intends to remain independent, SES believes it will avoid the scrutiny of regulators. More than 90 per cent of all European homes subscribing to cable and satellite receive at least one channel carried by SES.

That would present a competition problem, Mr Bausch admits, if SES were too closely linked with the likes of BSkyB or Germany's Kirch Group.

Although SES now has a *seemingly unrivalled* position in the market, there are challenges on the horizon. Digital terrestrial television is about to launch in the UK. If it takes off, it could limit the number of channels broadcast via satellite.

However, one analyst says: "Digital terrestrial could not genuinely threaten the digital satellite market, because terrestrial has limited capacity." Mr Bausch claims that SES also benefits from digital terrestrial television, as satellite technology can be used to deliver channels to terrestrial transmitters.

The same applies now with cable channels, which are delivered to the head of the cable network by satellite operators such as SES.

Potentially a more serious difficulty is the possibility of satellite launch failure.

Although SES says rigorous technical checks mean it has yet to see a launch fail, with four new satellites scheduled to go into orbit over the next two years the risks inevitably increase.

And the financial stakes are high. Each satellite costs up to $250m to manufacture, insure and launch.

As SES's space launch programme indicates, the company is ambitious. It is investing in data and multimedia transmission, which could see it expand out of its European heartland. "For *these new services* we need to have a presence in regions elsewhere in the world," Mr Bausch says.

SES has already teamed up with Intel, the world's leading semiconductor group, to offer multimedia data-transmission services in Europe.

Mr Bausch says that the company may link with regional satellite operators in Asia and the US, or invest in other groups outside Europe.

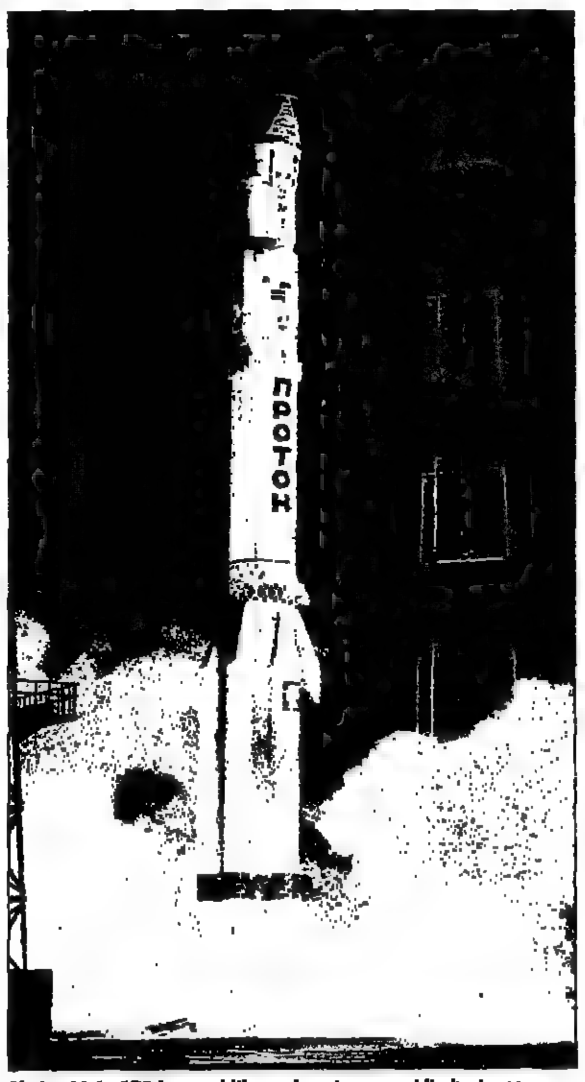
One investment bank believes that moving into multimedia is wise.

"There is a limited demand for broadcasting new channels, so investing in multimedia will allow SES to capitalise on a new growth market," an analyst said.

SES has an incentive to pour more and more resources into diversification. The more it spends, the more it saves in taxes in Luxembourg, which offers generous tax breaks to high-investment ventures.

SES contributed LFr2.7bn to the Grand Duchy's coffers last year, but its tax bill would have been much higher had it invested less.

The government is unlikely to complain about SES's contribution to the Treasury – as a 20 per cent shareholder, it can look forward to profiting from SES's future as a quoted company.



Aiming high: SES has ambitious plans to expand its horizons

NEWS DIGEST

PHARMACEUTICALS

Teva issues second warning in five months

Shares in Teva, Israel's largest pharmaceuticals company, yesterday dropped 8 per cent in early trading in New York following a profits warning by Eli Hurvitz, its chief executive. It was the second profits warning in five months.

The shares fell from $42⅞ to $38¾ after Teva said sales for the second quarter would be down $30m because of price pressure on Clonazepam, its leading generic drug in the US. Sales for the second quarter of last year were $270.6m, while net income was $34m. Teva's shares also fell in Tel Aviv, by 2.43 per cent to Shk152.70.

Clonazepam was also partly responsible for a decline in net income for the first quarter of this year, with profits slipping from $31.4m to $25m. Mr Hurvitz, however, said the final month of this quarter looked more promising, although he warned there were continuing delays in having some new products registered by the US Food and Drug Administration. Sales for last year were $1.1bn, while net income was $122.4m. **Judy Dempsey, Jerusalem**

SLOVAKIA

State insurer buys IRB

Slovenska Poistovna, Slovakia's main state-controlled insurer, has taken over the troubled Investicna a Rozvojova Banka (IRB), the country's third largest bank. The insurer took a 66.6 per cent stake by subscribing to all of a Sk2bn ($57m) equity issue, which tripled the bank's equity.

IRB last year became the first Slovak bank to be taken under forced administration by the central bank, when it ran into liquidity problems. The central bank sought a foreign investor to bail out IRB, but had to settle for a state-owned institution which, at least initially, has only been able to partially recapitalise the bank.

In March, the central bank failed to spin off the bank's good assets into a separate bank when the VSZ Holding steel company, which had built up an indirect stake of 41 per cent, and the state National Property Fund, which owned 34 per cent, voted the proposal down. VSZ's direct stake in the bank was cut to 5 per cent by last week's equity increase and the National Property Fund's stake fell to 11.3 per cent. VSZ also owns about 20 per cent of Slovenska Poistovna and the National Property Fund 50.5 per cent.

Last year IRB incurred a preliminary loss of Sk3.06bn and it has continued in the red this year.
Robert Anderson, Prague

CONSUMER PRODUCTS

Benckiser advances 30%

Benckiser, the household cleaning products company listed in Amsterdam last year, lifted first-quarter net profits 30 per cent to Fl 53.5m ($26m). Improved margins and a lower interest bill offset an increase in marketing spending. Revenues at Fl 983.9m were 14 per cent ahead.

In western Europe, its most important market, operating income grew 22 per cent to Fl 89.3m as it extended distribution of its Calgonit and Finish dishwasher agents. Bart Becht, chief executive, said it expected long-term worldwide growth of between 5 per cent and 7 per cent in sales and 15 per cent for net profits. **Gordon Cramb, Amsterdam**

All of these securities having been sold, this announcement appears as a matter of record only.

New Issue
May 21, 1998

Intuit®

Intuit Inc.

US$473,750,000

10,000,000 Shares
Common Stock

Joint Lead Managers and Joint Bookrunners

Deutsche Bank Securities **Morgan Stanley Dean Witter**

BancAmerica Robertson Stephens

BT Alex. Brown
Incorporated

William Blair & Company

Hambrecht & Quist

NationsBanc Montgomery Securities LLC

Deutsche Bank

صكنا من الاصل

All of these securities having been sold, this announcement appears as a matter of record only.

US$1,371,562,500

STMicroelectronics

19,000,000 Common Shares

Price US$72.1875 Per Share
FRF428.58
ITL125,900

Joint Global Coordinators and Joint Global Bookrunners

Deutsche Bank **Lehman Brothers** **Morgan Stanley Dean Witter**

Banca D'Intermediazione Mobiliare IMI
SG
Salomon Smith Barney
SBC Warburg Dillon Read

Banca Commerciale Italiana
Goldman, Sachs & Co.
NationsBanc Montgomery Securities LLC
Banque Nationale de Paris
Paribas

Bear, Stearns & Co. Inc.
Union Européenne de CIC
Crédit Lyonnais
Credito Italiano
J.P. Morgan & Co.
BT Alex. Brown International
Cofiri S.p.A.
Credit Suisse First Boston
Istituto Bancario San Paolo di Torino S.p.A.
Dresdner Kleinwort Benson

June 5, 1998

TRANSPORT WARNING OF 20% FALL AT SUBSIDIARY AS SECOND-HAND CAR PRICES DROP

Arriva to spin off leasing arm

By Jonathan Ford

Shares in Arriva, the transport group formerly known as Cowie, fell by 16 per cent yesterday after the company warned that profits at its car leasing subsidiary would fall by about 20 per cent this year because of falling second-hand car prices.

Arriva said it would spin off the leasing subsidiary, which made about 40 per cent of group operating profits last year, either through a sale or a demerger. Gordon Hodgson, chief executive, said this would allow the group to focus on its bus operations.

Michael Gwilt, group managing director, who was due to succeed Mr Hodgson as chief executive next year, has resigned. Mr Gwilt was formerly in charge of Arriva's leasing unit.

Arriva's warning comes only four days after Car Group, a retailer of nearly new cars, warned that its profits would be hit by weak second hand car prices.

Arriva said prices fell by about 5 per cent year on year in May as demand for used cars declined. Steve Lonsdale, finance director, blamed recent interest rate rises and price cutting in the new car market.

Shares fell sharply in other companies likely to be hit by falling second hand car values, including Avis Europe and Lex Service. Shares in distributors of new cars also fell.

Arriva first warned in April that profits at its car leasing subsidiary might fail to meet last year's pre-tax level of £34.1m.

The group said yesterday that conditions had continued to deteriorate, leading it to estimate that profits at the unit would fall by £7.5m to £26.6m ($43.6m).

Group trading in the first five months was in line with last year's profits, but Arriva warned that its results at its motor dealerships deteriorated in April and May after a strong first quarter. Analysts reduced forecasts from about £105m to £95m.

Under Mr Gwilt's stewardship, Arriva expanded its car leasing unit rapidly over the last three years. Contracts outstanding increased from about 65,000 to 77,000.

Mr Hodgson said that investors had been urging him to sell off the leasing business because its earnings attract a lower rating than its bus operations.

Arriva has appointed NM Rothschild to advise on whether to divest of the business through a disposal or a demerger. Analysts said the leasing unit could be worth about £200m.

Schroders signs Salomon head

By Clay Harris, Banking Correspondent

Schroders, the UK investment banking and fund management group, has plucked a senior executive from Salomon Smith Barney to become its global head of capital markets.

Thomas "Terry" Fitzgerald is the most important recruit to be announced since Schroders introduced a global management structure earlier this year. His appointment, to be announced today, signals the breadth of Schroders' ambitions.

It also suggests corporate activity in Europe has reached a sufficient pitch to be able to attract to London an executive who has spent his career in New York.

The only investment bank in the FTSE 100, with a market value of £4.6bn ($7.5bn), Schroders often finds itself competing with US and continental European banks many times its size. Salomon is due to become part of one of the world's biggest financial services companies, Citigroup, in the proposed merger between its parent, Travelers, and Citicorp.

Mr Fitzgerald, 39, has spent his working life at Salomon. He joined in 1980, took two years out to earn an MBA at Harvard Business School, and became one of the firm's youngest ever managing directors in 1991. He founded Salomon's equity finance group and helped build it into a global business, experience which Schroders believes relevant to its ambitions.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Ashquay	Yr to Mar 31	6.84	(2.09)	0.458	(0.26L♠)	1.3†	(0.8L)	0.2	July 23	nil	0.2	nil
British Steel	Yr to Mar 28	6,947	(7,224)	315♥	(451♥)	11.44	(15.22)	7	Aug 10	7	10	10
Brundene Invsts	6 mths to Mar 28	50.7	(47)	2.55	(2.36)	1.76	(1.51)	0.8	Sept 1	0.75	-	2.05
Cadcentre	Yr to Mar 31	17.7	(17.3)	2.75	(1.78♠)	10.3†	(7.13)	2.4	July 21	1.6	3.6	1.6
Craig & Rose	Yr to Dec 31	3.71	(4.14)	0.39L♠	(0.214L)	65.66L	(36.33L)	nil	-	nil	nil	nil
Faupel Trading	Yr to Mar 31	27.7	(24.8)	0.73	(0.718)	4.3	(4.14)	1.29	Sept 4	1.39	2.09	2.09
Floral Street Φ	6 mths to Mar 31	6.59	(10.2)	0.054L	(0.432)	1.9L	(12.6)	-	-	-	-	1.5
Fyffes ♣	6 mths to Apr 30 ★	720.1	(663)	23.3	(20.2)	4.2†	(3.38)	0.6859	Aug 7	0.5716	-	2.2505
ICC Bank ♣	6 mths to Apr 30	65.6¥	(53.5¥)	9.02	(7.05)	28†	(38.1)	4.65	July 1	6	-	21
Jennings Bros	6 mths to Mar 29	8.94	(8.22)	0.496♠	(0.455♠)	5	(4.5)	3	July 17	3	-	7.75
Lon Scottish Bank	6 mths to Apr 28	23.2¥	(21.1¥)	4.73	(4.31)	2.8	(2.6)	1.07	July 24	0.975	-	3.39
Northumbrian Fine	Yr to Mar 31	33.8	(31.7)	1.41	(1.13)	2.29	(1.84)	0.2	July 20	0.1	0.3	0.15
Partners Hldgs	Yr to Mar 31	35.8	(30.7)	0.755	(2)	2.5	(7)	1	Aug 31	-	1.5	-
Robert Wiseman	53 wks to Apr 4 ☆	252.7	(192.9)	17.7	(11.9♠)	14.87†	(10.6)	2.71	Sept 24	2.35	4.03	3.5
Safeland	Yr to Mar 31	64	(40.1)	5.07	(2.7)	10.83†	(6.39)	nil	-	1.25	1	2.18
Saltire	Yr to Dec 27	135.8	(170.6)	5.34L♥	(3.7)	25L	(8.5L)	nil	-	1.2	-	1.2
Solid State Φ	Yr to Mar 31	5.31	(4.97)	0.108	(0.327)	1.3†	(4.1)	nil	-	2	1	3
Sterling Inds	Yr to Mar 31	78.5	(76.1)	12.8	(9.41)	29.77	(20.56)	7.5	-	6.8	11	10
Tamaris	Yr to Mar 31	36.3	(19.1)	2.07	(2.65♥)	0.19	(0.46)	0.06229	Sept 16	0.0566	0.0681	0.0612
Unirak	6 mths to Mar 31 ‡	1.49	(1.81)	0.06	(0.05L♥)	1.1	(18.2L)	nil	-	nil	-	nil
Wynnstay Props Φ	Yr to Mar 25	1.47	(1.52)	0.439♥	(0.355♥)	13	(8.7)	3.6	July 28	3.35	5.25	5

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Bankers	6 mths to Apr 30	306.4	(245.5)	5.36	(4.1)	3.45	(2.65)	1.41	Aug 31	1.25	-	5.25
Dartmoor	Yr to Apr 30	166.52	(116.42)	7.06	(8.2)	13.91	(12.88)	4.18	July 31	3.6	13.4	12.6
Finsbury Worldwide	Yr to Mar 31	189.3	(168.8)	0.12	(0.104)	0.3	(0.3)	0.3	Aug 7	0.25	0.3	0.25

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. ♣Irish currency. ★Comparatives restated. ¥Income. ☆Comparatives for year to Mar 29 1997. ‡Comparatives for 9 mths to Sept 31 1997. #Includes 0.4p special.

Tetley calls off £400m float plans

By David Blackwell and John Willman

Tetley, the world's second largest maker of teabags, yesterday abandoned plans for a £400m ($656m) flotation only days before the publication of the listing particulars.

The group, which Allied Domecq sold to the management for £190m less than three years ago, said only that it had decided "to pursue another opportunity rather than proceed with flotation at this time."

Analysts were puzzled by the suddenness of the decision. "It is a bit strange to pull it at this stage," said one. "I could understand it more if they were frightened of being undervalued following the fall in the stock market."

A trade buyer looking to make a strategic move on the UK tea market was seen by analysts as the most likely explanation. "The flotation plans may have flushed out a buyer," said another analyst.

It was not the first time that Leon Allen, the extrovert American chief executive, has pulled a float. In 1990 he led the buy-out of Del Monte Foods International from KKR, the US leveraged buy-out specialists, selling it two years later just before a planned £360m float.

Among the names put forward yesterday as possible buyers were Nestlé, which has a strong global coffee business that includes a soluble tea side; Hillsdown, owner of Typhoo, number three brand in the UK; Unilever which produces Brooke Bond and Lipton's; Associated British Foods, owner of Twinings, the upmarket tea blender; and Unigate, which failed last month to take over Hillsdown.

Both Unilever and Hillsdown would be likely to run into regulatory problems, while the latter is in any case in the throes of a demerger.

In the UK the group's tea bags overhauled Unilever's Brooke Bond PG Tips in 1991 with the help of a new round shape.

Since the buyout, Tetley has performed strongly and now has just over a quarter of the UK tea market. Operating profits have risen from £10.7m in the year to end-February 1996 to £41.1m last year.

The UK accounts for just 40 per cent of sales. The group sells in more than 40 other countries, and is first or second in five of the 10 largest tea-bag markets including the US, Australia and Canada.

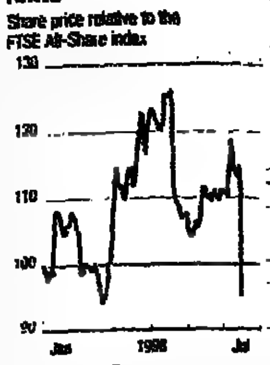
Joint sponsors and brokers to the float were Cazenove and SBC Warburg Dillon Read.

COMMENT

Arriva

Arriva

Share price relative to the FTSE All-Share index



Source: Datastream/ICV

Volume car manufacturers have been moving metal in ever larger quantities for several years now. But while overcapacity in the industry is hardly news, the sudden downturn in used car prices is. A further surprise is that this appears to have caught Arriva's management off guard. Arriva reckons residual values on ex-contract hire cars fell 5.5 per cent in May compared with a year before. This is worse than the company expected in April, when it warned of tough competition. Sterling's strength may be partly responsible. Peugeot, Citroën and the like are able to offer increasingly competitive deals on new cars, thereby helping push down prices on used cars. If this is behind the slump, rather than interest rate rises, hopes that residual values will stabilise look over-optimistic.

For Arriva to demerge or sell the car leasing arm is sensible. But how much more sensible to have taken up offers from trade buyers who had apparently expressed an interest in buying the business recently. They were turned away, and should now be able to pay less for it. Not only will profits be down £7.5m compared with 1997, but the signs are that company car fleets will not be left unscathed by the government's white paper on transport.

For investors, it is better to travel hopefully (but not by hire car) than to Arrive.

Tetley

When it comes to a market-leading brand, the betting must be that the company will be picked up by a trade buyer rather than making it to the stock market. In a float, Tetley might well have been valued at more than £400m – about 1.2 times sales and 10 times last year's operating profits. But, with margins already high, quibbles could have been raised over profit potential. And an independent group might have lacked the marketing and financial muscle to exploit growth opportunities outside the UK.

An international food group would, of course, have the sales channels down which to pour Tetley. Such benefits were spelt out when Nestlé snapped up Dalgety's Spillers pet foods business. But nearly £130m of net debt pushes the enterprise value to £500m-£600m. There must be an auction brewing to reach that level.

Strong banana prices buoy Fyffes

By David Blackwell

Strong banana prices in Europe helped Fyffes, the Dublin-based fresh produce group, to push interim profits up 15 per cent.

Carl McCann, deputy chairman, said that the group – which has net cash of I£60m ($84.3m) – was trying hard to find a large acquisition in Europe, following the successful deal on Geest.

Meanwhile, it had made several small European fresh produce acquisitions for a total consideration of I£16.6m. These would start to contribute to earnings in the second half.

Pre-tax profits for the six months to April 30 rose from I£20.2m to I£23.3m. Turnover, including the group's share of associated undertakings, rose from I£663m to I£720m.

The contribution from the Geest venture, owned jointly with the Windward Island Banana Development Company, fell from £5.5m to £5.1m because of dry weather in the Windward Islands. However, Mr McCann said the group was very happy with the way the venture was progressing.

Earnings per share rose 24 per cent to 4.2p. This mainly reflected a reduced charge for minority interests since the acquisition a year ago of the remaining 50 per cent of Velleman & Tas, the Netherlands-based fresh produce group.

The interim dividend has been raised 20 per cent to 0.6859p (0.5716p).

No. 1002762 of 1998

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF
CWI HOLDINGS PLC
- and -
IN THE MATTER OF THE
COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition as presented to Her Majesty's High Court of Justice, Chancery Division on 13th May 1998 for the confirmation of the reduction of share capital of the above named Company from £133,000,000 to £3,000,000.

AND NOTICE is further given that the said Petition is directed to be heard before the Registrar of the Companies Court at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 24th day of June 1998.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of share capital should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any person requiring the same by the undermentioned Solicitors on payment of the Regulated Charge for the same.

Dated the 16th day of June 1998.

CLIFFORD CHANCE
200 Aldersgate Street
London EC1A 4JJ

Ref: KO

Solicitors to the Company

CONTRACTS & TENDERS

NATIONAL INVESTMENT BANK OF JAMAICA LIMITED

PRIVATISATION OF SANGSTER INTERNATIONAL AIRPORT MONTEGO BAY, JAMAICA

Invitation to Prequalify

The Government of Jamaica, through the Airports Authority of Jamaica, is the sole owner of two international airports in Jamaica, the Norman Manley and the Sangster International Airports. The Government is now seeking investors who will undertake the development, operation and management of the Sangster International Airport (the Airport). The Government proposes to commence privatising a part of its interest in the Airport to an investor who will have strategic control of the Airport's operations and will be expected to provide financing for the development. The Airport is located in Jamaica's major resort area and caters primarily to a tourist traffic. It is presently processing up to 1,500 passengers per peak hour with an overall throughput of 2.5 million passengers per annum. It is an instrument non-precision airport with a single runway of 8,700 feet (2,652 metres) and a parallel taxiway. The main terminal has an area of 23,226 square metres with 11 parking position. Four remote parking stands are adjacent to the terminal.

Applications are hereby invited from enterprises, consortiums, or joint venture partners with adequate financial capability and a demonstrable track record in the development, management and operation of airports to prequalify for selection to receive an Information Memorandum and a Request for Proposals which will shortly be issued by the National Investment Bank of Jamaica (NIBJ) on behalf of the Government in respect of the above privatisation.

The Government of Jamaica through its agent the National Investment Bank of Jamaica Limited does not bind itself to prequalify any applicant and also reserves the right to reject any application for Prequalification Documentation.

Interested Parties should submit a request for Prequalification Documentation to:

The Director - Special Projects & Infrastructure
National Investment Bank of Jamaica Limited
11 Oxford Road
P.O. Box 889
Kingston
Jamaica
Telephone: (876) 960-9690
Facsimile: (876) 920-0907 or (876) 920-0379

Requests for Prequalification Documentation may be sent by facsimile or courier to arrive at the above address on or before 30 June 1998. The documentation will be dispatched as soon as possible thereafter. NIBJ, however, accepts no responsibility for ensuring proper delivery of the documentation. Completed Prequalification Applications should be sent to the above address to arrive no later than 15 July 1998.

CONTRACTS & TENDERS

In the name of God

INTERNATIONAL TENDER NO. 76/0_33/6/859

National Iranian Drilling Company (N.I.D.C.) a wholly owned subsidiary of National Iranian Oil Company (N.I.O.C.) intends to have two offshore jack-up drilling units built by the international well known offshore drilling unit builders. Bidders wishing to participate in the tender should have constructed at least three offshore drilling units in the past. Considering Persian Gulf conditions these units should be suitable for 300 ft of water depth and 25,000 ft of drilling depth.

It should be observed by the bidders that 10 percent of the contract amount will be provided by N.I. D.C. and the remaining 90 percent should be provided and financed by the builder for the construction of the units. Other conditions are specified in the tender documents.

National Iranian Oil Company (N.I.O.C.) will guarantee to reimburse the foresaid remaining amount (90%) along with its due interest within ten years in equal monthly installments starting after the delivery of the two units.

The interested bidders can seek services and cooperation of the Iranian Shipyards at Bandar Abbas Seaport located in the Persian Gulf. N.I.D.C. will give priority to the proposals of the bidders who will construct the units in Bandar Abbas.

The tender documents can be collected against presentation of:

a. A bank receipt for USD 3000.00 (non refundable) to be paid to N.I.D.C. account no. 200224 (B.M.I. Ahwaz Main Branch) within 20 days from the date of the Second Notice at N.I. D.C. contracts department room no. 116 situated at the beginning of M.I. S. Road, Ahwaz, Iran.
b. Introduction letter stating the representation and a brief background of building at least three offshore drilling units in the past, along with relevant documents proving such claim.

NATIONAL IRANIAN DRILLING COMPANY
CONTRACTS DEPARTMENT

BUSINESSES WANTED

BUSINESS SERVICES

OFFICE EQUIPMENT

هكذا من الاصل

This announcement appears as a matter of record only

BEI EIB

EUROPEAN INVESTMENT BANK

Announces

"Euro-debt Exchange Offer Programme"

for outstanding Notes denominated in ECU and the currencies participating in EMU to be exchanged against euro-denominated Notes or euro-tributary Notes in the corresponding currencies.

Arranger

PARIBAS

Exchange Agents

ABN AMRO

Banca Commerciale Italiana

CDC Marches

Deutsche Bank

Paribas

Santander Investment

SBC Warburg Dillon Read

ENGINEERING GROUP'S PROFITS FALL 30% AS STRENGTH OF STERLING HAS £500M IMPACT

British Steel eyes acquisitions

By Peter Marsh

British Steel is looking at potential investments in continental Europe and North America, after announcing pre-tax profits last year of £315m ($193m), 30 per cent down on 1996-97.

The profit for the year to March 28, at the top end of analysts' expectations, came on sales down 4 per cent at £6.95bn (£7.22bn).

The company, which has been one of the worst hit in the UK by sterling's surge against the D-Mark, said the currency change had reduced profits by £500m as a result of translation effects and the need to cut prices to stay competitive.

Earnings per share were down 25 per cent at 11.44p (15.22p).

With an interim dividend already paid of 3p, the final of 7p brings the total to 10p (unchanged).

Sir Brian Moffat, chairman and chief executive, said the group was making "good progress" on its plans to cut costs through redundancies, improved work practices and better supplier efficiencies. In the past year, the company has reduced its UK workforce from 41,000 to 38,700, out of a current global total of 48,000.

Sir Brian said BS was seeking acquisitions in Europe and North America, but only at sensible prices and if the businesses had the potential for good profits growth. Net funds at the end of March were £785m (£446m).

The outlook for the company was threatened by "uncertainties" in Asia, although this accounted last year for only about 5 per cent of sales. Total turnover comprised £6.1bn of steel products made in its own plants, plus £879m coming from distribution and other businesses.

Sales in the UK declined 2 per cent to £2.66bn, or nearly two-fifths of BS's steel products turnover.

Despite this, Sir Brian said BS's sales volumes in the UK were "holding up".

In continental Europe and North America, where BS has 34 per cent and 8 per cent respectively of its steel products sales, demand for the metal was "quite buoyant", Sir Brian said.

The effect of the high pound on prices is shown by the company's average revenue per tonne of steel having fallen last year 10 per cent in continental Europe to £448. For UK customers the fall was less marked, with the price per tonne coming down 5 per cent to £347.

Operating costs were cut 2 per cent during the year to £6.68bn (£6.86bn).

The company has not put a figure on how much it wants to cut these costs eventually but is thought to be aiming to save up to £800m a year by 2002 through job cuts and other efficiencies.

The steelmaker is thought to be considering measures which could mean another 8,000 redundancies by early next decade.

See Lex

Sir Brian said good progress was being made to cut costs

Britax fastens on to $122m US safety niche

Richard Marton: aiming for cross-selling opportunities in a growing market — Malcolm Watson

Car mirror and aircraft seats group acquires Public Safety Equipment

By Andrew Edgecliffe-Johnson

Britax, the car mirrors and aircraft seats group, is spending $122.5m to buy Public Safety Equipment of the US, which makes sirens for fire engines and radar systems for catching speeding cars.

The acquisition marks a further step in Britax's strategy of establishing leading positions in growing niche markets, and comes 11 months after the £73m ($120m) purchase of Buderus Fell, which made Britax the world's second largest supplier of aircraft seating.

PSE is owned by the family of Menlo Smith, a Missouri-based mormon, but $4.7m of the total consideration is expected to be paid to its management in three years' time.

Britax, which is buying the business free of debt, said the deal would enhance earnings immediately, and leave its interest bill covered 7-8 times. PSE made a pre-tax profit of $8.8m on sales of $66.2m in 1997, and enjoyed operating margins of 16.5 per cent.

Britax already has a dominant position in the UK market for emergency vehicles' light bars and sirens, but the PSE deal will make it leader in the US market, which is expected to grow from $320m to $450m by 2002 as safety regulation and expenditure increases.

Richard Marton, chief executive, said the radar technology used in PSE's speed measurement division could be applied to the next generation of car mirror designs.

PSE's Kustom division claims a 60 per cent share of in-car video surveillance equipment in the US, and 50 per cent share of radar speed measurement.

Mr Marton also foresaw cross-selling opportunities in emergency service products, where PSE's Code 3 division has a 20 per cent share of the US market.

Britax sold its Bristol Street car dealerships for £72m in March 1997 and said the sale of its car leasing division was "under active consideration". Analysts said yesterday's profit warning from Arriva, another car leasing group, may mean the proceeds will be at the low end of the expected £60m-£70m range: Britax said it had seen strong interest.

ICO Global to float on Nasdaq

By Alan Cane

ICO Global Communications, the London-based international mobile communications group, is to float on Nasdaq in an initial public offering.

The flotation is expected within the next four to six weeks. Analysts said that ICO could raise about $500m from floating 20 per cent of the company.

A similar sum is expected from an offering of high-yield debt.

ICO has already raised $2bn for the project, which aims to introduce a global mobile phone service in 2000 using a network of satellites more than 10,000 kilometres above the earth's surface.

The company, a spin-off from Inmarsat, the pioneering maritime satellite communications company, has 93 investors, including telecoms operators and technology groups from more than 50 countries.

The total cost of the 12-satellite systemis expected to be $4.6bn.

ICO is one of a number of consortia gambling that a lucrative market exists for "anywhere-to-anywhere" mobile phone services. Its competitors include the Iridium group headed by Motorola of the US, and GlobalStar led by Loreal, also of the US.

An earlier competitor, Odyssey, has already joined forces with ICO.

Iridium has already placed most of its satellites in orbit ready for the launch of its services in September. It is using a different technology from ICO, with a larger number of satellites much closer to the Earth.

The competing groups are convinced that travellers and business executives will be prepared to pay premium prices for a service that allows them to communicate from any point on the earth's surface.

It is expected, for example, that an Iridium handset, roughly the same size as today's cellular handsets, will retail initially for about $3,000, while calls will be priced at up to $6 a minute.

They believe, however, that the establishment of the first networks will create demand and draw in new customers. A second group of consortia is competing to create satellite-based data communications networks.

The IPO is being made through a syndicate of underwriters in the US and internationally. The price of the shares will be set by bookbuilding.

Donaldson, Lufkin & Jenrette Securities and its affiliates are joint lead manager and sole bookrunner.

The other joint lead managers are Credit Suisse First Boston and Salomon Smith Barney.

The high-yield debt offering will be made by Donaldson, Lufkin & Jenrette, Goldman Sachs, Bear Stearns & Co, and CIBC Oppenheimer.

European Assets rejects bid from Gartmore European

By Joan Eagleshan

European Assets investment trust said yesterday it intends to reject a bid from rival Gartmore European in favour of proposals from its current manager, Friends Ivory & Sime.

The fight for European Assets, which has about £150m ($246m) of assets, has been complicated by the fact that the trust is incorporated in the Netherlands, although it is quoted in London. This highly unusual structure creates potential tax and legal liabilities.

The trust admitted yesterday that both Gartmore European and Friends I&S have refused to give it an indemnity against potential tax problems, although both have taken expert advice.

The management group's proposal offers shareholders: a roll-over investment trust, or the existing Friends Provident European Growth unit trust, or cash.

On the assumption that shareholders elected in equal proportions for the three options, Friends I&S said it would pay 97.3 per cent of the trust's net asset value to shareholders taking cash, and 99-100 per cent of asset value for the roll-over funds.

The trust said this beat Gartmore's offer of 96 per cent of asset value for cash and 98.5 per cent for shares in Gartmore European. Gartmore will respond to the European Assets statement today. The fight is likely to be protracted, given the legal and tax complications.

BUSINESS OPPORTUNITIES

READERS ARE RECOMMENDED TO SEEK APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

HUMBERTS LEISURE

MILAN

Lake Maggiore 20 kms (12 miles) — Lugano (Switzerland) 90 kms (56 miles)

Remarkable residential and resort development opportunity

- Uniquely close to the financial and industrial centre of Milan
- Spectacular views to the Swiss Alps
- Consents granted for excess of 250 villas and apartments, golf courses (2 x 18 holes), golf academy, equestrian centre, tennis and health spa, 200 bed conference hotel
- Further development potential (subject to planning)
- Strong demand for quality housing and leisure facilities driven by the expansion of nearby Malpensa International Airport – EU designated the new Southern European hub

About 330 hectares (815 acres)
(bordering a major Regional Park)

Family company seeks development partner(s)

Please call for a colour illustrated brochure
Tel: +44 (0)171 629 6700 Fax: +44 (0)171 409 0475
email: Sarah.Boyd@humberts-leisure.com

CHARTERED SURVEYORS
INTERNATIONAL LEISURE PROPERTY SPECIALISTS

SPECIALIST RECRUITMENT AGENCY

- Established and recognised name in growing niche market
- Profitable business with considerable scope to develop
- Based Herts. - freehold office available if required or could be relocated.

FOR SALE
CCTV INSTALLATION COMPANY

based Southern England
Turnover circa £2.75m
Well established, successful system integration and installation company with strong technical abilities.
Good blue chip customer base and excellent facilities
PRINCIPALS ONLY
Reply to Box B5925, Financial Times, One Southwark Bridge, London SE1 9HL

LIQUIDATIONS: RECEIVERSHIPS: AUCTIONS:
200+ Liquidations & Receiverships listed every week, what they did and who to contact + Commercial Auctions.
BUSINESSES FOR SALE:
Monthly list of over 100+ different businesses & property opportunities.
CONTACT:
Tel. 01652 680689 Fax. 680867

BUSINESSES FOR SALE

Coopers & Lybrand

Migration Luxury Tented Camp
Serengeti National Park, Tanzania

The Receiver and Manager offers for sale the business and assets of Migration Camp Limited in Receivership, consisting primarily of a luxury tented camp in the north of Serengeti National Park. Guest facilities at the camp include a swimming pool, sun deck, library tent, dining tent, bar, and 14 luxury bedroom tents with en suite facilities.

The traditional path of the famous annual wildebeest migration passes in front of the camp, usually in July and again in October.

This is a rare opportunity to acquire the right to own and operate a tented camp in this area of Serengeti. Further information may be obtained from the Receiver and Manager at the address below.

Offers to purchase the assets on an "as is, where is" basis should be submitted in writing to the Receiver and Manager at the address below before Friday 17 July 1998. The Receiver and Manager is not bound to accept the highest or any offer received.

Information provided by the Receiver and Manager whilst believed to be correct, is not guaranteed and does not obviate the need to make appropriate independent searches, enquiries and inspection.

The personal liability of the Receiver and Manager in providing this information and answering any queries is hereby expressly excluded.

Leonard C Mususa, Receiver and Manager, Migration Camp Limited in Receivership,
c/o Coopers & Lybrand, PO Box 45, Sukari House, Ohio Street, Dar es Salaam, Tanzania.
Tel: + 255 51 111919, + 255 811 321165, or + 255 812 784715.
Fax: + 255 51 112978. Telex: 41160

Derek Oakley and Andrew Redmond, Joint Administrators of Lontex Industries Ltd.

BUSINESS OPPORTUNITY

- Lontex Industries a speciality carpet yarns producer. Services major fibre producers in U.K. & Europe.
- Turnover £2.3 million p.a. to blue chip customers.
- 120,000 Sq ft leasehold premises.
- Skilled workforce of 101 people.

For further information please contact Donna Barrington on:
Tel: 01257-265310,
Fax: 0161-835-3480 or,
e-mail: louise_edgar@lathamsgroup.co.uk

Latham Crossley & Davis

Tired of sifting through business plans?

Invest at ground level – new and early stage businesses at the start of their quest for growth.
Reduced risk – VCR publishes screened investment opportunities.
Time saved – detailed, objective reporting enables your assessment.
Flexibility & choice – projects in all industries. Invest alone or with others. Gain a directorship.
20 yrs experience - VCR has helped raise £22m for 250+ companies.

For a free trial call Venture Capital Report on 01865 784411

BUSINESS FOR SALE
LEADING UK MANNED GUARDING GROUP

One of the largest independent manned guarding groups, with the following key features:
- Blue chip customer base in the commercial and public sector markets;
- National network of established regional offices;
- Profitable on turnover of £8 million plus.

Potential purchasers please reply to Box No. 5690 at Financial Times, 1 Southwark Bridge, London SE1 9HL

BUSINESS PROBLEMS

Do you need help?
Is your business not performing well?
Cash flow problems?
Bank problems?
Do you need to safeguard your family home, also business assets?
Our fees are based substantially on results.
Act now and take professional advice.

CALL FOR A FREE 1HR CONSULTATION AT CL CONSULTANTS
0161 236 3660
0171 306 3310
Fax: 0161 236 4560

Pre-packed Polythene Products

Company wishes to divest of non-core activity. Profitable pre-packed polythene business. T/o £760k - No contribution £200k. No capital equipment, easily relocated only needs 150sq.m. & 3 staff. £25k stock. Ideal bolt-on with excellent expansion opportunities especially for companies supplying DIY Stores/Builders Merchants. Price £300k Neg.
Box B5931, Financial Times, One Southwark Bridge, London SE1 9HL

Six figure profits from The Personal Number Company.

Millions of people are going to be buying one six-figure Personal Number for life. If your interested in a business that's about to boom, call us now.

THE PERSONAL NUMBER COMPANY PLC
07000 654321
www.personal-number.co.uk

Management Buy-Out
What is your company worth?

PC spreadsheet valuation model, as used by venture capitalists. £49.95 + VAT.
For further details contact:
Equity Ventures Limited
21 Grosvenor Street, London W1X 9FE.
Tel: 0171-917 9611 Fax: 0171-917 6002
Website: http://www.equityventures.co.uk
Regulated by the Securities and Futures Authority

EAST COAST PORT
WELL ESTABLISHED ENGINEERS MERCHANTS,
SUPPLY AND WELDING PRODUCT DISTRIBUTORS BUSINESS
FREEHOLD PREMISES
FOR SALE - £700,000
Box B5927, Financial Times, One Southwark Bridge, London SE1 9HL.

MARITIME INVESTIGATIONS AND INSPECTIONS

As a private company we specialise in worldwide maritime investigations. We investigate lost / stolen cargo, damaged cargo, dumped cargo and in some cases non existent cargo. We also arrange pre-shipment inspections and supervision of loading and stowing. Our clients include insurance companies, shippers, exporters and sometimes private individuals. After a successful 1997 we are looking to expand our work load by either introduction or on a commission basis.

Please fax (01902) 747745 in the first instance.

All replies will be treated with the strictest confidence.

BUSINESSES FOR SALE

Data Capture House

Well established, within easy reach of London.
Trading for 25 years, strong blue chip client base, realising good profits and continuing growth.
Replies to Box No B5970, Financial Times, One Southwark Bridge, London SE1 9HL

Export leisure clothing and gift accessory business with totally unique premium English branding. Trade Mark registered in the USA.
Box B5923, Financial Times
One Southwark Bridge
London SE1 9HL

Royal Brierley

The shareholders of Royal Brierley Crystal Ltd. have determined that the business should be sold to new owners, better able to support the level of investment required for its development into the next decade.

The company is a maker and retailer of lead crystal glass and giftware established in 1776. It is a supplier to Royal Houses, Princes and Presidents worldwide.

Chesham Amalgamations have been asked to handle the sale and we believe the company will be of interest to parties already possessing close acquaintance with the table top or other high unit value giftware markets.

Please contact John Harrison at Chesham on 0171 935 2748.

Chesham Amalgamations, Chesham House, 2 Bentinck Street, London W1M 5RN.

Business Bank

Offers for sale the following business

Profitable group of companies engaged in project management, design and manufacture of engineered components for a variety of industries.

- Niche markets
- Annual turnover c. £4m
- Significant opportunities for growth
- Extensive freehold property
- Blue chip customer base

Ref: BB171

For further information, principals only
Tel: 07000 633633 or Fax: 07000 633634

BDO Stoy Hayward
Foxhall Lodge,
Gregory Boulevard,
Nottingham, NG7 6LH

BDO
BDO Stoy Hayward
Business Bank

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business

---

Company for Sale

Plastic Injection Moulders

- Located in Central/Southern England
- Turnover £565K
- Retirement Sale

Recruitment Business for Sale

South Coast. Established 12 years.
Specialising in the recruitment of Temporary and Permanent commercial staff.
T.O Circa £70k. Nett Profit 16k.
No Liabilities.
For details write Box B5902, Financial Times, One Southwark Bridge, London SE1 9HL.

Recruitment Business for Sale

Box B5907, Financial Times, One Southwark Bridge, London SE1 9HL

Electronics Factory For Sale

Fully equipped freehold electronics assembly factory of 25,000 sq ft at Ryde Isle of Wight.

Contact: Jeremy Evans
01273 661151

FOR SALE

Retailer of designer wallcoverings fabrics & paints
London based freehold shop prime position, established over 50 years
Profitable business turnover £850,000
Owner retiring
Box B5919, Financial Times
One Southwark Bridge
London SE1 9HL

Food Processing Company

Long established family business located on East Coast
Producing upper market fish products
For Blue Chip customer base.
Profitable. Sales over £4 million.
Fax No. 01905 613523

Specialist Tool Making Company

Extremely niche and highly profitable.
Located Eastern England.
Sales £1.5 million.
Pre tax profits approximately £350,000
Fax No. 01905 613523

Coopers & Lybrand

IRON, STEEL AND PRECISION CASTINGS MANUFACTURER

Berry's Foundry (1949) Limited

The Joint Administrators, Edward Klempka and Stuart Mackellar, offer for sale the business and trading assets of the above company.

Principal features of the business include:

- manufacturer of iron and steel castings by sand and lost wax investment processes
- central location in Bradford, West Yorkshire
- turnover in excess of £1m

For further information, please contact Toby Underwood of Coopers & Lybrand, Benson House, 33 Wellington Street, Leeds LS1 4JP.
Tel: 0113 289 4786. Fax: 0113 289 4472.

Coopers & Lybrand is authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

BDO STOY HAYWARD

BY ORDER OF THE JOINT ADMINISTRATORS
D. SWADEN FCA & D. J. POWER FCA
IN THE MATTER OF
RINGTAIL ENGINEERING LIMITED
in Administration

Offers are invited for the sale of the business and assets of the above company
- Precision Sheet Metal and Fabrication Company
- Latest equipment consists of Lazer CNC Punching and CNC Bending Machines
- Strong Order Book
- Loyal Work Force
- Turnover approximately £2.5 million per annum
- Operates from 2 leasehold sites on Burscough Industrial Estate, Ormskirk, Lancashire

Enquiries should be addressed to:
BDO Stoy Hayward CRI
Peter House, Peter Square
Manchester M1 5AB
Tel: 0161 236 1955 Fax: 0161 228 1929

BDO
BDO Stoy Hayward
Chartered Accountants

CONTRACTS & TENDERS

EGYPT

In the context of the Privatization Program of the Government of Egypt

Mining & Refractories
(Egyptian Joint Stock Holding Co.)

Announces
In Cooperation with the Privatization Project
Led By
ARTHUR ANDERSEN
(Transaction Manager)

The sale of a majority interest in
El Nasr Glass and Crystal Company
(An affiliate company)

To an anchor or group of investors

Company Products
Bottles and Containers for soft drinks and food industries, ampoules, tableware, sheet glass and ornamental glass

Trading Record
Record Of Profitability Over The Past Five Years Annual Revenues approximately L.E. 120 million

Company Facilities
- Mostorod Factory (30km from Downtown Cairo) with an annual capacity of:
  60000 tons Bottles and containers
  350 million ampoules
- Yassin Factory (20 km from downtown Cairo) with an annual capacity of:
  14000 tons sheet glass
  14000 tons ornamental glass
  15000 tons tableware

For further details Please contact:
Mining & Refractories (Egyptian joint Stock)
No, 9-9BSt., El Maadi, Cairo 11728, Egypt
Telephone:(202)3753286-3511507
Fax:(202)3517043-3517019
E-Mail:emr@mst1.mist . com . e.g
or
Transaction Manager & Financial Advisor
Eng. Fathalla Kamal Or Bill Fielding
The Privatization Project
World Trade Center, 1191 Corniche El Nile Street
Cairo 11221, Egypt
Telephone: (202)5790971 - Fax:(202)773983

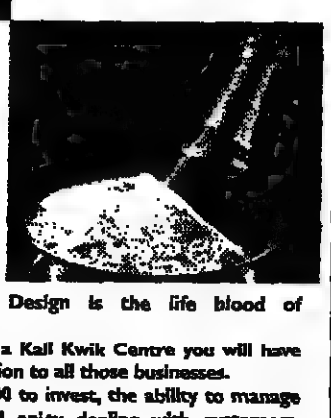
Visits to the company and all required information will be allowed and arranged by appointment with the Transaction Manager.

This Advertisement is only to announce the sale and an invitation for tender will be published soon

---

FRANCHISING

Do you just want to make a living?



- **Or build a future?**

Print, Copying & Design is the life blood of every business.
And as an owner of a Kall Kwik Centre you will have the perfect introduction to all those businesses.
So if you have £45,000 to invest, the ability to manage your own team and enjoy dealing with customers, call us for an information pack quoting FT16/6.

FREEPHONE 0500 872060

Kall Kwik
PRINT COPY DESIGN

CORPORATE HOSPITALITY

Leading London provider of themed Christmas parties for corporates.
Current turnover £700K, GP 33%.
Fast-growing business in dynamic sector.
Please write to:
BDI, Hyde Park House, 5 Manfred Rd
London SW15 2RS or Fax: 0181 874 2100

---

www.cybo.net/bsr

BUSINESS SALE REPORT

The No. 1 listing of medium to large companies for sale in the UK (T/o £1m+). Now covering Europe. It is FREE to list your company for sale. June Report out now. For subscription details:
0181-875 0200

FOR SALE

- Quality Frozen and Chilled Food Manufacturer
- Turnover £10 million
- Operating profit £800K
- Well established in its own field
- Freehold factory fully equipped with modern plant and machinery
- Skilled workforce with solid management structure
- Blue Chip customer base
- Based in Wales
- Sale due to impending retirement

For further details write to Box B5903, Financial Times, One Southwark Bridge, London SE1 9HL

Thames Valley

- Profitable Company
- Land and Building measurement surveying.
- Sale, hire and repair of surveying equipment.
- Good growth potential
- Current turnover £300,000 p.a.

Box B5925, Financial Times
One Southwark Bridge, London SE1 9HL

M&A MARKETPLACE

The Web's market for buyers and sellers of businesses.

- Thousands of sellers and buyers.
- All industries; sizes and locations.
- New listings every day.

1 - 800 - 349 - 4959
(Universal Toll-Free #)
www.mergernetwork.com

ELECTRONIC PUBLISHING AND DATABASE COMPANY

Market leader with high profile brands, serving the information needs of professionals in multiple markets, with significant growth opportunities.
For further information contact:
Ed Tranham
Tranham Associates
11 Main Street Caldecote
Cambridge CB3 7NU
Tel: 01223 263753 Fax: 01223 263889 Email: ed@agena.co.uk

HOME CARE BUSINESS

FOR SALE OR PURCHASE

PROJECT AND COMMERCIAL

funding available to UK and International clients.
Anglo American Group Plc.
Tel: 01924 201 365
Fax: 01924 201 377

Specialist Shop Fitting Company

Sales £5 million.
Producing in excess of 12% pre tax profit return on sales.
Strong national customer base.
Owner retiring.
Strong ongoing Management Team.
Fax No. 01905 613523

For Sale
Rubber Moulding Dipping Company

Medical and Leisure industries.
Constant track record of profits.
Strong ongoing management team.
Owners retiring.
Fax No. 01905 613523

EURO PRICES

EQUITIES

Dublin hears call for rerating

EUROPEAN OVERVIEW

By Martin Dickson
Financial Editor

Fresh gloom from Asia, including a plunge in Hong Kong's Hang Seng index and further yen weakness, pushed trans-European equity indices lower yesterday, with the FTSE Eurotop 300 closing down 14.62 at 1203.54.

The Eurotop 100 ended at 2758.52, down 30.27, while the Ebloc 100, which focuses on companies in countries in the first wave of European monetary union, dipped 12.42 to 1007.55.

Sectors that lost most ground included electronics and electrical equipment, with a dip of 2.82 per cent, paper and packaging, down 2.91 per cent, and healthcare, off 2.97 per cent.

Companies exposed to Asian markets fared poorly, with Cable & Wireless off Ecu 0.20 at Ecu 9.83 and luxury goods manufacturer LVMH down Ecu 6.60 at Ecu 174.47.

Meanwhile a research note from ABN-Amro argued that Irish equities might face a significant re-rating as the country prepared to enter Emu as part of the first wave at the start of next year. The bank said the market's recent performance meant it offered some of the strongest earnings growth in Europe alongside the lowest rating.

Some analysts argue that Ireland's weakness stems from fears of economic overheating, since Irish short-term interest rates will have to fall far more than other European peripheral economies in the run-up to Emu.

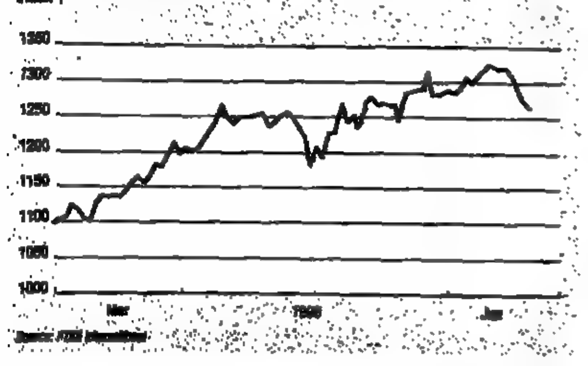
The FT's euro-zone currency convergence table shows the implied Irish forward interest rate at the year-end around 5.8 per cent, compared to around 3.7 for the German benchmark.

However, ABN-Amro argued that the near-term inflationary outlook was subdued, while the Dublin government might take action soon in order to ease the medium-term threat of overheating.

The bank noted that many institutions still bracket the Irish market with the UK, which has also been weak recently.

"But the reasons for doing so are looking increasingly outdated as Ireland moves towards Emu membership and enjoys a dramatically different growth and interest rate cycle," the bank's report said.

Eurotop 300 Eurobloc
Index



FTSE Actuaries Share Indices — European series

June 15

Industry & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	p/e adj ytd	Total rets (Ecu)
FTSE Eurotop 300	1203.54	-1.20	-14.62	2.18	16.83	1229.78
FTSE Eurotop 100	2758.52	-1.09	-30.27	2.18	20.47	981.52
FTSE Ebloc 100	1007.55	-1.22	-12.42	1.79	8.16	1016.61

FTSE Eurotop 300 Regions

THREE MONTH EURO FUTURES (LIFFE)

THREE MONTH EURO OPTIONS (LIFFE)

FTSE EUROTOP 100 INDEX FUTURES (LIFFE)

EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX)

OTHER INDICES

DJ Stoxx 50
DJ Euro Stx 50
MSCI Europe

FTSE EUROTOP 300

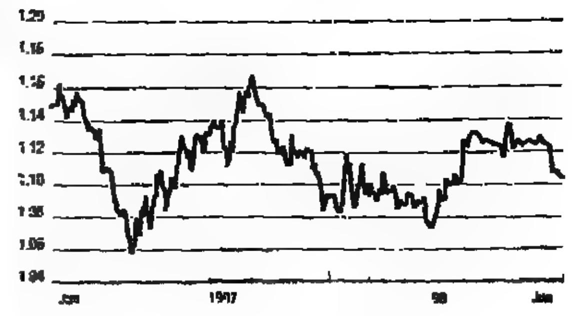
ALCOHOLIC BEVERAGES · AUTOMOBILES · BANKS RETAIL · BREWERIES, PUBS & RESTAURANTS · BUILDING MATERIALS & MERCHANTS · CHEMICALS · CONSTRUCTION · DISTRIBUTORS · DIVERSIFIED INDUSTRIALS · ELECTRICITY · ELECTRONIC & ELECTRICAL EQPT. · ENGINEERING · EXTRACTIVE INDUSTRIES · FOOD PRODUCERS · GAS DISTRIBUTION · HEALTH CARE · HOUSEHOLD GOODS & TEXTILES · INFORMATION TECHNOLOGY · INSURANCE · INVESTMENT COMPANIES · LEISURE & HOTELS · LIFE INSURANCE · MEDIA · OIL, EXPLORATION & PRODUCTION · OIL, INTEGRATED · OTHER FINANCIAL · PAPER PACKAGING & PRINTING · PHARMACEUTICALS · PROPERTY · RETAILERS, FOOD · RETAILERS, GENERAL · SUPPORT SERVICES · TELECOMMUNICATIONS · TOBACCO · TRANSPORT · WATER

CURRENCIES & MONEY

FT SYNTHETIC EURO RATES

Synthetic Euro against the dollar

$ per euro



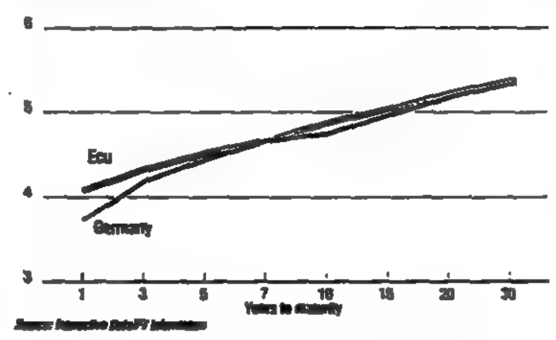
Source: FT Information

EUROZONE CURRENCY CONVERGENCE

Source: The WM Company.

BONDS

Bond yield curve
Per cent (Jun 15 1998)



Source: Interactive Data/FT Information

EUROZONE CORPORATE BONDS

GOVERNMENT BOND SPREADS vs ECU

EUROZONE CREDIT SPREADS vs ECU

Investors scurry for safe havens

GOVERNMENT BONDS

By Jeremy Grant in London and John Labate in New York

Crumbling Asian stock markets and relentless attacks on the Japanese yen sent investors scurrying for the safety of government bond markets again yesterday, with some futures prices setting record highs as the bullish backdrop continued.

In the UK, the September gilt future peaked at 110.86, before falling back, as traders diverted their attention to the World Cup football tournament. German bund futures also performed well, but ended below the day's highs.

The yen hit an eight-year low yesterday against the dollar and Wall Street opened down 100 points, reflecting continued gloom over the Japanese economy and prospects for recovery in Asia – factors have have propelled bond markets upwards in recent weeks.

Some analysts suggested profit-taking on the foreign exchange markets could spill over into bonds if the yen weakened to Y150 to the dollar. But this would do little more than dent the bull run.

"Really the only thing that could turn sentiment around is some positive news from Japan and Asia but that doesn't seem to be forthcoming any time soon," said Robert Blake, at Citibank.

In US TREASURIES, by early afternoon the 30-year bond had continued to reach new records, gaining $\frac{13}{32}$ to $107\frac{5}{16}$ and sending the yield down to 5.822 per cent.

The two-year note was up $\frac{1}{32}$ to $100\frac{5}{32}$, yielding 5.413 per cent, while the 10-year note had gained ⅜ to $101\frac{13}{32}$, yielding 5.382 per cent.

Traders continued to focus on developments overseas.

"The market's not really looking at economic numbers domestically," said Richard Gilhooly, international bond strategist at Paribas Capital Markets.

But he added that signs of economic weakness in US data could be important if they suggested Asia's slowdown had spread: "The trade numbers on Thursday will be key, as will industrial production tomorrow."

UK GILTS closed flat, with the September 10-year future settling up 0.03 points at 110.54 in trading volume of 39,000 contracts after earlier hitting a record high.

Dealers noted some pressure at the short end of the yield curve as observers continue to watch closely for clarification of the Bank of England monetary policy committee's precise stance on interest rates.

That, coupled with the bank's perceived sensitivity to wage-related economic data, would mean gilts may not simply track other core European markets this week, analysts said.

"The UK is probably the only country this week where there's some interest in domestic news," said James Mitchell, senior market strategist at Nomura.

Average earnings data, to be released on Wednesday, are expected to show another increase. This would be bad for bonds at the short end of the yield curve as it would imply a degree of inflationary pressure, and thus pressure for another interest rate rise. Retail price figures will be released today.

The September 10-year GERMAN BUND future settled at 108.46, up 0.17 points, in volume of 236,000 contracts traded in Frankfurt. It had earlier hit 108.60.

Qatar to issue sovereign eurobond

By Jeremy Grant

The Gulf state of Qatar plans to make its debut on the international capital markets with a sovereign eurobond issue of at least $500m, bankers said yesterday.

The government has appointed J. P. Morgan and Credit Suisse First Boston as joint lead managers of the issue, the first from the Middle East since Lebanon raised $1bn in April.

One option being considered is that the issue be split into two tranches; one fixed-rate the other floating.

However, the exact size, maturity and other aspects of the deal will not be decided until after a roadshow, which is expected to end in two weeks.

"The market environment is not such that you could push a structure on to investors, so it's not fixed at this stage," said one banker.

Ripples from the Asian financial crisis and jitters over the health of Russia's finances have sparked an exodus from emerging markets in recent weeks.

Yields on emerging market paper have widened significantly, raising the cost of borrowing for sovereigns.

However, the oil-rich state needs the funds to cover existing commercial debts, a second banker said.

"They have a lot of relatively short-term debt in the bank market that they want to roll over and this is a cost-effective way of doing it," he said.

Qatar also hopes the roadshow will clarify how its sovereign risk profile compares with other countries rated in the BBB area. The country has a Baa2 rating from Moody's and a BBB rating from Standard & Poor's.

NEWS DIGEST

PRIVATISATION

Croatia launches bidding for 500 companies

Croatia has embarked on the main stage of its first mass privatisation programme with the start of bidding for shares in 500 companies with a nominal value of around $2bn. According to financial analysts in Zagreb, the market value of the shares will be much lower, at between a quarter and a half of the nominal value, and stock market officials have warned about the lack of transparency and the shortage of financial disclosure at many of the companies on offer.

Privatisation coupons have been issued to around 240,000 individuals, mainly victims of the war waged from 1991 to 1995 between Croatia and Yugoslavia. Coupon holders have had the right to invest directly in companies or in one of the seven privatisation funds created to take part in the programme. Most individuals have invested in the funds, which have collected more than 80 per cent of the vouchers.

There will be three rounds of auctions, which are supposed to be completed by the end of the year. It is planned that the closed-end investment funds will be listed on the Zagreb stock exchange next year, although bourse officials are concerned about the problems of valuing the funds' portfolios. "We can only guess at the value of the companies held by the funds, and many of the companies are doubtful anyway," said one senior official.

The Croatian government claimed yesterday that the privatisation programme would significantly accelerate the transfer of assets to the private sector from the Croatian Privatisation Fund, which is selling the large majority of the remaining companies in its portfolio. Kevin Done

KOREAN FINANCIAL RESTRUCTURING

Plans inadequate, says S&P

The Korean government's proposals for restructuring its financial system fall well short of what is required, according to a report from Standard & Poor's, the US credit rating agency.

S&P said that "unless the Korean government is ready to intervene further with public funds or international investors make large-scale investments, Korean financial institutions will remain under-capitalised to absorb escalating losses".

The report came as emerging market bonds took another battering, with the flight to quality continuing. The yield spread on the benchmark 10-year Korean government bond has widened by around 10 basis points since last Friday, while the average spread on emerging market bonds, as compiled by J. P. Morgan, has widened by 173 basis points from its narrowest point in 1998.

S&P has maintained its negative near-term outlook on Korean financial institutions, and claims that much rumoured mergers among domestic banks would provide no solution to the malaise.

"Instead of trying to support or encourage the survival of weak or non-viable financial institutions, it would be more productive to emphasise their accelerated and orderly exit from the market," the report said. Simon Davies

EIB to exchange bonds into euro

By Simon Davies, Capital Markets Editor

The European Investment Bank plans to exchange a number of outstanding bonds denominated in Ecu and other future European monetary union participating currencies into a handful of liquid benchmark euro-denominated bonds.

The EIB has E51bn of outstanding issues eligible for the programme, and it could target up to half of these issues in a euro-debt exchange offer that would last for 18 months.

The move is aimed at developing a liquid yield curve to match that of the large sovereign issuers and to reduce borrowing costs.

Paribas has been appointed sole arranger for the programme, and six other European banks have been appointed exchange agents, leaving the US bulge-bracket houses that dominate the eurobond markets out in the cold.

The first exchange offer covers 17 bond issues denominated in D-Marks, lire and French francs, valued at close to E10bn.

The EIB will offer to convert these into a limited number of euro-tributary issues – bonds that will consolidate into one series of euro-denominated notes after the first coupon date following the launch of Emu.

David Ovenden, at Paribas, said: "They are saying they appreciate and want to appeal to an institutional investor base. They are trying to make EIB debt a Treasury surrogate, and not just in size."

The EIB will encourage exchanges into the euro-tributary issues with the promise of greater liquidity and the ease of not having to go through redenomination.

Convertible from Metro

INTERNATIONAL BONDS

By Vincent Boland

The convertible bond market again grabbed the spotlight yesterday with the latest in a series of big issues, this time from Metro International Finance, a funding subsidiary of Germany's Metro cash-and-carry chain.

With regular bond issuance curtailed by the nervous state of the markets, Metro's DM1.5bn issue was the day's biggest transaction and the biggest convertible bond from Europe this year.

The issue will be priced in two weeks at a premium of 26 to 30 per cent, with book-building starting tomorrow.

Deutsche Bank, sole lead manager, said Metro, which has a market capitalisation of DM27bn and is a Dax index component, wanted to take advantage of the heavy demand being seen for convertible issues and the buoyant state of the market.

No acquisitions were planned, and the proceeds would be used to refinance short-term debt.

"We are seeing [convertible] prices and premiums get more advantageous for companies all the time," an official said, adding that demand was expected from both convertible and fixed income accounts.

SLOVAKIA is expected to make a quick return to the market with a D-Mark bond equivalent to $250m, just weeks after it made its debut with a three-tranche issue. The bond would complete Slovakia's $1bn borrowing programme for 1998."

The REPUBLIC OF CYPRUS is also planning a return to the market under its euro medium-term note programme, which has already seen it raise $300m.

Parliamentary approval for the issue, which is necessary because the new bond would require the ceiling for the programme to be raised from its current $500m, is expected this week.

Bankers said an issue of the equivalent of $400m was expected later this year.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
DSL Bank	200	4.50	98.915R	Jul 2001	0.1875R	+18(5⅝%May01)	Commerzbank
D-MARKS							
Metro Intl Finance(a)§	1.5bn	zero	100.00	Jul 2013	2.60	-	Deutsche Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. R: fixed re-offer price; fees shown at re-offer level. a) Fixing on 30/6/98; conversion premium indicated at 26-30% and yield 2¾-3¼%. Puttable on 9/7/03 and 9/7/08 at par. Callable from 9/7/03 at accreted value.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Jun 15	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	[illegible]	7.000	102.4[illegible]	5.5[illegible]	+0.0[illegible]	+0.47	+0.51	+0.16
	10/07	10.000	131.4300	5.5[illegible]	+0.02	+0.0[illegible]	-0.07	-1.44
Austria	08/0[illegible]	7.000	103.5700	4.01	-0.02	-0.0[illegible]	-0.13	+0.17
	07/07	5.625	105.7100	4.[illegible]	-0.01	-0.0[illegible]	-0.27	-0.84
[illegible]								

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	104.95	105.28	+0.28	105.28	104.94	55,302	32,813
Sep	104.83	104.99	+0.20	104.78	104.55	136,207	115,008

[illegible]

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	104.76	104.98	+0.32	104.98	104.76	229	4,003

US CORPORATE BONDS

[illegible]

INTERNATIONAL BONDS

Jun 15	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
[illegible]								
EIB	02/07	5.750	AAA	108.6700	4.79	-0.04	-0.25	+0.04
Spain	01/07	[illegible]	AA	106.2700	4.8[illegible]	-0.03	-0.2[illegible]	+0.06
Philip Morris	09/04	[illegible]	A	102.7300	[illegible]	-0.01	-0.3[illegible]	+0.2[illegible]
[illegible]								

US INTEREST RATES

[illegible]

UK BONDS

FTSE Actuaries Govt. Securities

[illegible]

10 YEAR BENCHMARK SPREADS

[illegible]

EMERGING MARKET BONDS

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

CURRENCIES & MONEY

Yen takes pounding as sterling jumps

MARKETS REPORT

By Daniel Dombey

The long-suffering yen dived again yesterday, despite mounting concerns about the consequences of its fall.

The stream of poor economic data from Japan has so weakened the currency that it regularly loses one or two yen a day against the dollar, even without any hard news to move the market.

Yesterday, it lost two yen against the dollar, touching Y146.55, its lowest level since August 1990. It failed to mount a significant recovery during European trading hours, ending at Y146.3.

"The problems in Japan and Asia have an air of permanence about them," said Steve Hannah, chief economist at IBJ in London. "There's no relief to the gloom and therefore no fundamental reason why yen/dollar shouldn't move towards 150 or beyond."

In a much more modest way, the D-Mark also had a poor day. It dropped against sterling and the dollar as worries about the Russian economy continued to build.

■ A smaller rise than the markets had expected in Japan's current account surplus, due in part to the higher cost of importing intermediate and capital goods, only highlighted the problems of the Japanese economy, now officially in recession.

Analysts continued to worry about a possible competitive devaluation by China, which the consensus view holds would set off a another wave of Asian and international crises.

■ POUND IN NEW YORK

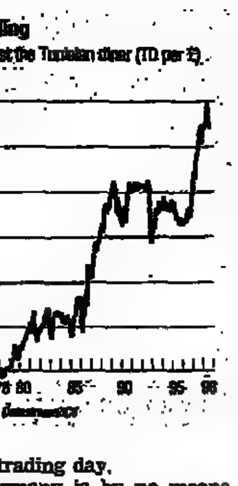
Jun 15	—Latest—	— Prev. close —
£ spot	1.6320	1.6320
1 mth	1.6295	1.6296
3 mth	1.6241	1.6242
1 yr	1.6030	1.6030

Yet there was little sign of any multilateral intervention to rescue the yen. Hans Tietmeyer, President of the Bundesbank, said that the markets' movements were exaggerated when it came to Asia. "Markets should pay more attention to fundamental data and should not be so preoccupied with current developments," he said.

■ Sterling roared up against the D-Mark, continuing a comeback that had not been widely expected.

For much of last month, the D-Mark benefited from increased confidence about the euro. But problems in Russia – where the rouble traded below its official band for the third consecutive trading day – have combined with high UK interest rates to weaken the D-Mark against sterling.

When trading ended in London yesterday, sterling stood at DM2.965, two pfennigs stronger than the previous trading day.



Source: Datastream/ICV

Germany is by no means as exposed to Russia as Japan is to countries in south east Asia, but trade and banking relationships are strong enough for the D-Mark to wobble when the rouble looks vulnerable.

At the moment, Russia's perennial liquidity crunch has been worsened by the generalised worries about emerging markets sparked off by the yen's fall.

Markets have also been considering the consequences of the announcement by Gordon Brown, UK Chancellor of the Exchequer, of more public spending. A looser fiscal framework might make further monetary tightening likely. UK rates were last increased by 25 basis points on June 4.

■ At the European Union summit in Cardiff yesterday, Tony Blair, the holder of the EU's rotating presidency, warned that European economies would not emerge unscathed from the Asian crisis. But Yves-Thibault de Silguy, monetary affairs commissioner, hastened to say that the crisis would not damage the single currency.

■ OTHER CURRENCIES

Jun 15	£	$
Czech Rp	55.9200 - 56.0015	34.2060 - 34.2370
Hungary	356.910 - 357.270	218.320 - 218.420
Iran	4907.10 - 4904.40	3000.00 - 3000.00
Kuwait	0.5027 - 0.5031	0.3075 - 0.3076
Peru	4.7720 - 4.7812	2.9190 - 2.9230
Poland	5.7545 - 5.7642	3.5200 - 3.5240
Russia	10.1594 - 10.1634	6.2120 - 6.2130
U.A.E.	6.0041 - 6.0081	3.6727 - 3.6731

■ Emerging markets across the world suffered from the weak yen and booming dollar, but the effects were felt in the industrialised world as well.

Despite central bank intervention, the Canadian dollar fell to C$1.4715 mid-way through trading yesterday, an all-time low. The Australian dollar also slid downwards with the yen, as it emerged that the country's central bank spent A$577m defending the dollar during May, the highest monthly total since 1993.

The Hong Kong dollar came under pressure, pushing up overnight interest rates from 6 percent to 15 per cent. They later fell back to 9 per cent.

The Norwegian krone weakened on the back of falling oil prices.

POUND SPOT FORWARD AGAINST THE POUND

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

WORLD INTEREST RATES

MONEY RATES

EURO CURRENCY INTEREST RATES

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.5520	0.5516	-0.0018	0.5520	0.5506	11,728	48,340
Sep	0.5570	0.5537	-0.0026	0.5571	0.5532	41,591	61,704
Dec	0.5585	0.5570	-0.0019	0.5571	0.5565	187	836

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6675	0.6625	-0.0043	0.6685	0.6611	3,382	35,044
Sep	0.6735	0.6678	-0.0053	0.6741	0.6672	18,549	55,418
Dec	0.6750	0.6735	-0.0060	0.6760	0.6735	77	181

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

■ STERLING FUTURES (IMM) £62,500 per £

UK INTEREST RATES

LONDON MONEY RATES

Jun 15	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7¾ - 8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 7½ per cent from Jun 4, 1998

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	4	6.5	6.5	6.25	6.25

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 1pc. Ave. tender rate of discount on Jun 5, 7.2198pc. ECGD fixed rate Stg. Export Finance. Make up day May 29, 1998, Agreed rate for period Jun 24, 1998 to Jul 25, 1998, Scheme III 8.72pc. Reference rate for period May 1, 1998 to May 29, 1998, Schemes IV & V 7.477pc. Finance House Base Rate 8pc from Jun 1, 1998.

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.310	92.310	-	92.320	92.300	12105	125563
Sep	92.380	92.355	-0.015	92.380	92.340	22263	149634
Dec	92.480	92.470	-0.020	92.480	92.440	24078	164339
Mar	92.680	92.665	-0.025	92.690	92.650	13787	115883
Jun	92.890	92.890	-0.020	92.900	92.870	4370	84580

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
92375	0			0.065		
92500	0	0.050	0.150	0.190	0.195	0.180
92625	0			0.315		

Est. vol. total, Calls 5721 Puts 6028. Previous day's open int., Calls 470180 Puts 340681

EMS EUROPEAN CURRENCY UNIT RATES

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
94875	0.075			0		
95000	0	0.570	0.886	0.050	0.020	0.005
95125	0			0.175		

Est. vol. total, Calls 2015 Puts 3870. Previous day's open int., Calls 352940 Puts 298541

BASE LENDING RATES

	%
Adam & Company	7.50
Allied Irish Bank (GB)	7.50
●Henry Ansbacher	7.50
Banco Bilbao Vizcaya	7.50
Bank of Cyprus	7.50
Bank of Ireland	7.25
Bank of India	7.50
Bank of Scotland	7.50
Barclays Bank	7.50
Brit Bk of Mid East	7.50
●Brown Shipley & Co Ltd	7.50
Citibank NA	7.50
Clydesdale Bank	7.50
The Co-operative Bank	7.50
Coutts & Co	7.50
Cyprus Popular Bank	7.50
Duncan Lawrie	7.50
Exeter Trust Limited	8.50
Financial & Gen Bank	8.00
●Robert Fleming & Co	7.50
●Guinness Mahon	7.50
Habib Bank AG Zurich	7.50
●Hambros Bank	7.50
Heritable & Gen Inv Bk	7.50
C. Hoare & Co	7.50
Hongkong & Shanghai	7.50
Investec Bank (UK) Ltd	7.50
Julian Hodge Bank	7.50
●Leopold Joseph & Sons	7.50
Lloyds Bank	7.50
Midland Bank	7.50
NatWestminster	7.50
●Rea Brothers	7.50
Royal Bk of Scotland	7.25
Scottish Widows Bank	7.50
●Singer & Friedlander	7.25
●Smith & Williamson	7.50
Sun Bank	7.50
TSB	7.50
United Bank of Kuwait	7.50
Unity Trust Bank Plc	7.50
Whiteaway Laidlaw	7.50
Yorkshire Bank	7.50

● Members of London Investment Banking Association

ALUMINIUM SMELTER IMPROVEMENTS TO PRODUCE EXTRA METAL

'Capacity creep' to help meet demand

By Ken Gooding, Mining Correspondent

So-called "capacity creep" will enable the aluminium industry to meet nearly one-third of the extra demand for its metal up to 2015, according to Jacques Bougie, president of Alcan Aluminium.

The Canadian company's medium-term forecasts indicate the world will need another 11.7m tonnes of annual primary aluminium production capacity to meet demand by 2015, a 61 per cent increase on the 19m tonnes sold last year, Mr Bougie said yesterday.

However, 3.4m tonnes of the extra metal could come from "capacity creep", the process of improvement within existing smelters.

Mr Bougie said: "Our calculations indicate that output from the industry's existing assets is growing at a rate of between 0.5 and 0.75 per cent a year as a result of capacity creep. Put another way, about 30 per cent of the projected increase in world demand over the next 17 years will be satisfied simply by optimising the operation of existing industry assets."

At the third annual aluminium conference organised by the Financial Times and the CRU International consultancy, Mr Bougie said the industry should be careful to account for capacity creep when planning expansions and new smelters.

Alcan expects 5.7m tonnes of additional annual capacity to be provided by new smelters in the next 17 years, and a further 2.6m from expansion projects.

Mr Bougie pointed out that output from capacity creep was by far the cheapest form of extra production and also the quickest to bring on stream. Incremental production from capacity creep could be achieved for less than $1,000 a tonne of new capacity in some cases. That compared with projections from CRU of more than $4,000 a tonne for new smelters and nearly $3,700 for expansion projects.

"It follows that anybody thinking logically about adding capacity is first going to consider what they can squeeze out of their existing infrastructure," he added.

The industry needed lower cost capacity because the price of aluminium in real terms had steadily fallen and, while cost cuts had been made, profit margins had been eroded. Margins had fallen from the equivalent of $2,600 a tonne in 1926, to $570 in the 1970s and about $250 in the 1990s.

Mr Bougie said: "Perhaps the ultimate challenge for the aluminium industry – certainly from the point of view of investors and financial analysts – is actually to make money on a consistent basis. By making money, I mean by generating earnings sufficient to cover the cost of capital and create real shareholder value. Let's remember, the industry has been able to cover its cost of capital in only two of the last 14 years – clearly a record of under-achievement that must be addressed."

Ivar Hafsett, president of Hydro Aluminium Extrusion, said one disadvantage the industry faced was its fragmented structure compared with other basic materials industries, such as steel and petrochemicals.

Competition between materials – such as aluminium and steel for automotive customers – would be a driving force for the aluminium industry to pool resources to achieve quantum leaps in consumption of the metal.

"Out of the need to promote the use of the material will emerge new forms of co-operation. We will see alliances, some tight, some loose; traditional joint ventures; and also other forms of partnership," Mr Hafsett predicted.

The threat in one of aluminium's big markets, beverage cans, was outlined by Keith Mitchell, director of PCI (PET Packaging, Resin & Recycling). He said growth in demand for PET (polyethylene terephthalate) bottles for fizzy drinks was rising rapidly and was expected to reach 4.2m tonnes this year compared with 2m in 1993. This was expected to increase to 5.7m tonnes by 2000 and 9.7m tonnes 2007.

There were 2m tonnes of capacity for PET and the industry was looking to absorb it by tackling the beer market.

Mr Mitchell suggested it would make inroads into glass bottles at first, followed by cans from 2010.

Jacques Bougie: wants under-achievement to be addressed

Fall in oil puts pressure on Opec

MARKETS REPORT

By Gary Mead and Robert Corzine

Crude oil prices fell again yesterday, increasing pressure on Middle East exporters to cut output further.

July crude futures on the New York Mercantile Exchange dipped below $12 a barrel in early trading to hit a 12-year low. In London, the price of the bellwether July Brent contract was $12.09 a barrel in late trading on the International Petroleum Exchange, down 32 cents on Friday's close.

There has been a flurry of diplomatic contacts among Gulf oil producers over the past few days, in the run-up to a meeting today of oil ministers from the Gulf Co-operation Council and next week's Opec conference.

Bulls were routed on the London Metal Exchange yesterday as heavy selling by investment funds, alarmed by depressing economic news from Japan and other parts of Asia, knocked down all base metal prices.

Three-month copper fell below its previous trading range to close at $1,634 a tonne, down $51 and approaching the year's low of $1,617.

Aluminium and zinc plunged to their lowest for almost two years of $1,310 and $1,015 a tonne respectively. Aluminium closed at $1,316, down $11 from Friday's close, while zinc finished at $1,018, down $4. Tin, which has been reasonably robust lately, shed $120 to close at $6,030 a tonne, while nickel ended at $4,380 a tonne, down $150.

The market was also bedevilled by fears of currency devaluation in China, where the copper industry is reported to be facing strategic problems.

More pressure forecast on tea prices

By Kunal Bose in Calcutta

World tea prices will come under increasing pressure as Kenya, which suffered a big setback in production last year, is harvesting a record crop this season and the forecast of a normal monsoon has improved prospects for the Indian crop.

Sri Lanka, which is in the same climatic zone as southern parts of India, will also have a normal crop. "Fears that *Sri Lanka* and south India would be hit by the El Niño weather phenomenon were proved wrong," said P. K. Sen, chairman of J. Thomas, the world's largest tea broker. "Malawi, Indonesia and Bangladesh produced more tea in the first four months till April 1998 than last time."

The Kenyan crop is up 58.33m kg to 113.30m kg, confirming that last year's drought did not damage the bushes. "Kenya has the advantage of young tea bushes which are highly productive. But the quality of Kenyan tea has taken a beating this season. The easier trend in prices at the Mombasa auction has got much to do with the fall in quality of tea," said Mr Sen.

India, the largest producer, was ahead nearly 20m kg at 151m kg by April, despite losing 7.5m kg because of dry weather.

"The expectation of a normal monsoon has encouraged the industry to chase a production target of 840m kg in the current season," said R. S. Jhawar, vice-chairman of Indian Tea Association. "Last year, we harvested a crop of 811m kg, up 31m kg on 1996 production."

"Privatisation is working wonders for the Sri Lankan tea plantations. Not only is the country steadily raising the crop, but the quality of tea is improving all the time. In the first four months, Sri Lanka is ahead 5.1m kg at 81.20m kg," said Mr Sen.

Since January, the average price of north Indian tea has fallen more than 9 per cent to Rs88.65 ($2.10) a kg. South Indian tea has fallen 37 per cent to Rs61 a kg.

Industry officials say Indian tea companies will have to be careful about the quality of tea they produce in the final quarter.

"There is huge surplus of inferior quality tea in the world. The price difference between good and bad quality CTC [crush, tear and curl] tea is as much as Rs60 a kg. The producers must not compromise on quality for the sake of volume," said Mr Sen.

NEWS DIGEST

COFFEE

Indian growers optimistic on south-west monsoon

India's coffee is unlikely to suffer further damage from bad weather in the 1998-99 season. The forecast of a "normal south-west monsoon" should ensure that crop meets current expectations, officials say. The coffee board has already cut crop estimates by nearly 5 per cent owing to a lack of rain in March and April. The crop is now estimated at 230,500 tonnes, compared with an earlier forecast of a record 242,400 tonnes.

According to the growers' organisations, heavy monsoon showers and spells of high temperature in the coming months could lead to some droppings of fruit, but this will be "more than compensated for by a normal monsoon". Harvesting of the next crop will begin in November.

India, Asia's third largest producer of coffee after Vietnam and Indonesia, harvested a crop of 228,000 tonnes in 1997-98, including 97,500 tonnes of arabica and 130,500 tonnes of robusta.

The impact of the March-April dry spell is particularly severe on arabica crop, which is now estimated to be 100,040 tonnes – down 9,260 tonnes on the earlier estimates. The robusta crop, which withstands drought better than arabica, is now forecast at 130,460 tonnes, down 2,640 tonnes. Karnadaka, India's biggest coffee growing state, is suffering a crop loss of 8,400 tonnes to 159,100 tonnes, and the crop is also down in Kerala and Tamil Nadu.

However, officials say the smaller crop should have no impact on domestic trade and exports, which account for more than 70 per cent of India's crop.

Merchant shippers are complaining of the difficulties in honouring export commitments, particularly of arabica coffee, as the growers are holding on to the stocks in anticipation of higher prices. More than half the 1997-98 arabica crop is still with the growers. **Kunal Bose, Calcutta**

TEA

London auction in charity sale

Tea traders will mark the end of the 165 year-old London Tea Auction on June 29 by donating profits to charities, including the Ex-planters Benevolent Fund. The Tea Brokers Association has told the Indian Tea Association that, for historical reasons, the focus of the final London auction will be "much on Indian tea".

The East India Company put up for public sale the first consignment of tea from the British territories in Assam on January 10 1839 in the Commercial Sale Room in Mincing Lane. Mincing Lane had been the centre of tea auctions since 1834, selling only Chinese teas.

"The 1839 auction of Assam tea was a major event and all eight lots, totalling £350, were knocked down at extraordinary prices. Not much tea is going to come under the hammer in the final auction on June 29 but since the cause is noble, it will be marked by intense bidding," said P.K. Sen, chairman of J. Thomas, the world's largest tea broker.

Leading Indian tea groups, including George Williamson, Goodricke, Moran, Warren, and McLeod Russell, have sent their best teas for the charity auction. The London tea auction – the world's oldest – has been hit by the rise in auctions in other countries. **Kunal Bose**

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1297.5-98.5	1317-18
Previous	1298-9	1327-8
High/low		1326/1306
AM Official	1278.5-79	1308-08.5
Kerb close		1319-20
Open int.	207,583	
Total daily turnover	167,103	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1208-13	1209-11
Previous	1225-30	1220-25
High/low		1215/1210
AM Official	1211-11.5	1206-10
Kerb close		1205-10
Open int.	8,810	
Total daily turnover	5,090	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	516-8	531-2
Previous	525-6	539-40
High/low		536/528
AM Official	518-9	534-4.5
Kerb close		531-2
Open int.	37,320	
Total daily turnover	10,327	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	4330-40	4405-10
Previous	4450-60	4520-25
High/low		4450/4380
AM Official	4310-20	4420-30
Kerb close		4380-90
Open int.	54,861	
Total daily turnover	21,152	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6135-45	6040-50
Previous	6240-50	6120-30
High/low		6140/6025
AM Official	6200-05	[illegible]
Kerb close		[illegible]
Open int.	[illegible]	
Total daily turnover	[illegible]	

■ ZINC, special high grade ($ per tonne)

[illegible]

■ COPPER, grade A ($ per tonne)

[illegible]

■ LME AM Official £/$ rate: [illegible]

■ HIGH GRADE COPPER (COMEX)

[illegible]

PRECIOUS METALS

■ LONDON BULLION MARKET

[illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	284.5	-0.7	288.3	284.6	431	512
Aug	286.8	-0.7	288.2	286.7	40,232	95,549
Oct	288.8	-0.7	289.9	287.6	141	7,022
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

[illegible]

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

[illegible]

■ CRUDE OIL IPE ($/barrel)

[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

[illegible]

■ GAS OIL IPE ($/tonne)

[illegible]

■ NATURAL GAS IPE

[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	75.00	+0.60	74.50	74.50	2	879
Sep	74.15	-0.60	74.00	74.00	7	160
Nov	76.15	-0.60	76.40	76.00	213	3,558
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]

■ BARLEY LIFFE (100 tonnes; £ per tonne)

[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

■ POTATOES LIFFE (20 tonnes; £ per tonne)

[illegible]

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

[illegible]

PULP AND PAPER

■ PULPEX OMLX (USS; 24 air dry tons)

[illegible]

FUTURES DATA

All futures data supplied by CMS.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1073	+1	1075	1060	631	17,616
Sep	1100	+2	1102	1086	1,397	24,846
Dec	1124	+2	1125	1111	610	35,687
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]

■ COCOA (ICCO) (SDR's/tonne)

[illegible]

■ COFFEE LIFFE ($/tonne)

[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

[illegible]

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

[illegible]

Minor Metals from Metal Bulletin

[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	65.525	+0.175	65.600	65.200	2,727	12,020
Aug	66.000	-0.225	66.350	65.925	4,424	43,036
Oct	65.500	-0.200	65.725	65.325	1,540	22,210
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ LEAN HOGS CME (40,000lbs; cents/lbs)

[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs)

[illegible]

LONDON TRADED OPTIONS

[illegible]

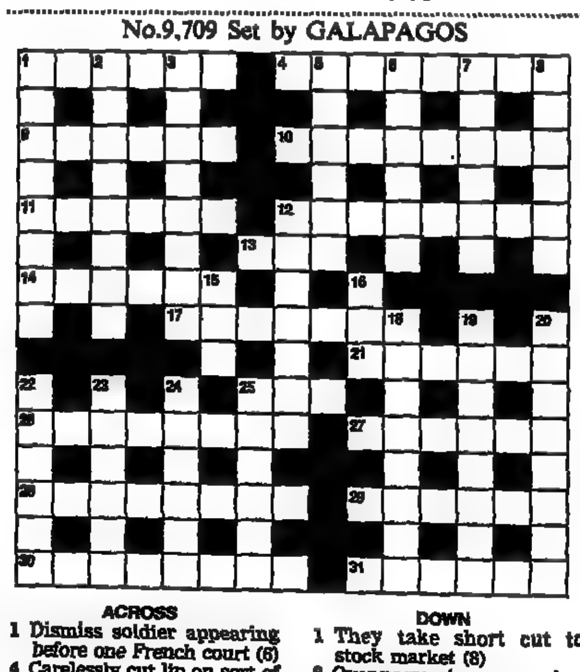
LONDON SPOT MARKETS

[illegible]

JOTTER PAD

CROSSWORD

No.9,709 Set by GALAPAGOS



ACROSS

1 Dismiss soldier appearing before one French court (6)
4 Carelessly cut lip on sort of rock (8)
9 Plain girl? (6)
10 In a manner of speaking the unconscious self is something that cannot be anticipated (8)
11 It covers Dolly's confusion (6)
12 Coolness, strangely, gives comfort (8)
13 Exclude lawyers (3)
14 Move about the place (6)
17 Performs visual tricks (7)
21 Cover a scene badly (6)
25 The man to know (3)
26 French leave taking gold minister, Spanish banker rejected (2,6)
27 Well informed, sanctimonious, quiet and haughty (6)
28 Surprise a son with this bombshell (8)
29 Herb's last letter home meeting return of first letter home (6)
30 Dispatched around close of week (8)
31 Food said to raise a smile (6)

DOWN

1 They take short cut to stock market (8)
2 Over-possessiveness makes Joe lay us out (8)
3 Ted Roach is broken but not totally spineless (8)
5 One choosing to drop first reader (6)
6 Torn T-shirt shows profound want (6)
7 One with an eye for anger (6)
8 Most appealing copper on trial (6)
12 React badly to Queen's board organiser (7)
15 Port abandons first amphibian (3)
16 Consumed last three pieces of confectionery (3)
18 Short vessels raised above ship at sea (8)
19 Disagreement I can rave about (8)
20 Salesman hears badly, to put it another way (8)
22 First man twice meets ultimate organisers of oldest profession (6)
23 Macabre tone overwhelms Frenchman (6)
24 Italian entree cooked in a vat (6)
25 Drink consumed by Fakir's children (6)

Solution to Saturday's prize puzzle on Saturday June 27.
Solution to yesterday's prize puzzle on Monday June 29.

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) [illegible] for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Asset Management (Bermuda) Ltd

Newport Investment Management

BERMUDA (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd – Contd.

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

Bank of Cyprus Group

Tilney (Ireland) Ltd

Fleming Private Fund Plc

Foreign & Colonial Emerging Markets Ltd

Formosa High Tech Fund

Framlington Investment Mngmt (Ireland) Ltd

IRELAND (REGULATED)(**)

Frank Russell Investments (Ireland) Ltd

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (FSA RECOGNISED)

growers optimistic th-west monsoon

auction in charity sale

CROSSWORD

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Bank Von Ernst & Cie AG

Barclays Diversified Portfolio (z)

GT Global

HSBC Investment Funds Luxembourg SA (u)

LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

OFFSHORE INSURANCES

صكنا من الاجل

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Professional Investment Consultants

Royal & Sun Alliance Intl Financial Services

Atlantis Fund Management (Guernsey) Ltd

Atlas Management Limited

Atlas Real Estate Hedge Fund Limited

Aurora Funds

Daiwa Intl Capital Management (H.K.) Ltd

Darier Hentsch Fund Management SA

Genesis Fund Managers Ltd

Glace Capital Limited

The Glenmore Property Fund Ltd

Global Asset Management

Indocam Asia

Magnum Funds - Contd.

Oryx International Growth Fund Ltd

The Osprey Group Of Funds

PFPC International Ltd

PRS International

Sintra Fund Ltd

Sloane Robinson Investment Mngmt Ltd

Smith Barney Funds

OTHER OFFSHORE FUNDS

AXA Asset Management

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or −	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Allied Domecq	†H	591xd	—	648	413½	1,215	4.2	14.4
Bulmer (HP)	†	355½	—	552½	355	7	5.2	11.1
Burn Stewart	†	25	—	70½	19½	18	10.5	-
Diageo		684xa	−22½	776	472	3,768	2.6	20.9
Glenmorangie A		895	—	990	755	-	2.0	20.4
B		952½	—	1090	830	-	0.9	44.1
Highland	†	304	−1	347	258	98	3.7	14.1
5¾pc Cv Sb Bd		99½	−½	99½	85½	-	5.8	-
Kirin Y		499½	−2	628	416½	-	1.0	-
Matthew Clark	‡†	201	−½	277½	157	31	12.4	6.5
Merrydown	†	49½	—	109½	37½	-	6.0	-
Seagram C$		£24½	−½	£28½	£18½	-	1.1	-

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CONSTRUCTION

[illegible]

CONSTRUCTION - Continued

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Continued

[illegible]

ENGINEERING, VEHICLES

[illegible]

ENGINEERING, VEHICLES - Continued

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS & TEXT

[illegible]

HOUSEHOLD GOODS & TEXT - Continued

[illegible]

INSURANCE

[illegible]

INSURANCE - Continued

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Continued

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

هكذا من الاصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL – Continued

[illegible]

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA – Continued

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PHARMACEUTICALS – Continued

[illegible]

PROPERTY

[illegible]

PROPERTY – Continued

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL – Continued

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES – Continued

[illegible]

TELECOMMUNICATIONS

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT – Continued

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM – Continued

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

TRADED INDEX SECURITIES

[illegible]

GUIDE TO LONDON SHARE SERVICE

[illegible]

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1485 a year for each security shown, subject to the Editor's discretion.

FT Free Annual Reports Club

You can obtain the current annual/interim report of any companies annotated with the ♣. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports may also be ordered via the Internet at http://www.icbinc.com. All reports will be sent the next working day, subject to availability.

FT Company Focus / Focus Plus

Please note that FT Company Focus/Focus Plus reports ceased to be available as from May 4th 1998. However ShareFinder company reports, incorporating current and historic financial information, key performance data and consensus recommendations, may still be purchased by calling 0870 501 4800.

FT Cityline

Up-to-the-second share prices are available by telephone from the *FT Cityline* service. See Monday's share price pages for details. Calls are charged at 50p per minute at all times.

An international service is available for callers outside the UK, annual subscription £250 stg. Please consult your financial adviser and verify financial pricing information obtained via FT Cityline before making any investment decision.

All access to and use of FT Cityline is subject to FT Cityline terms and conditions - your copy will be sent free on request.

Call 0171 873 4378 for more information on FT Cityline.

The share prices printed on these pages are also available on the Internet at http://www.FT.com.

LONDON STOCK EXCHANGE

Worldwide sell-off sends Footsie lower again

MARKET REPORT

By Philip Coggan
Markets Editor

The London stock market proved unable to resist the wave of selling that swept across world bourses yesterday and continued its recent decline.

A further fall in the Japanese yen in Asian trading – it dipped below Y146/$ – created more nervousness in the region's currencies and equity markets. The Hang Seng index in Hong Kong fell 5.7 per cent while the Nikkei 225 average in Tokyo closed below 15,000. Most of the south-east Asian markets fell by 4-5 per cent.

Europe followed the Asian markets down and when Wall Street opened it added to London's woes by dropping sharply after a profits warning from Minnesota Mining and Manufacturing. In early trading, the Dow Jones Industrial Average fell to a 100-point loss.

The warning from 3M reinforced one of the market's most persistent fears – that the slowdown in Asian economies will have an adverse effect on corporate profits. According to IBES, the information group, UK earnings forecasts for the next two financial years suffered net downward revisions in May.

The FTSE 100 index started the day marginally ahead, but the screens quickly filled with red and by mid-morning the blue-chip benchmark was showing a triple-digit loss. At its worst, Footsie was 123.7 points down at 5,646.1.

As afternoon trading started, the index was still more than 100 points down. But a late rally – inspired either by England's football victory or a modest rebound on Wall Street – meant that Footsie was only 54.1 points lower, at 5,715.7, at the close.

Nevertheless, the decline meant the FTSE 100 index had shed 271.7 points or 4.5 per cent over the last three sessions. The market is now around 400 points below its all-time high, set in early April.

Bob Semple, market strategist at BT Alex Brown, pointed to the rebound in sterling, which closed at more than DM2.96 yesterday, as another negative factor for equities. "That is bad news for the industrials, which have been doing well in the last quarter," he said.

The FTSE 250 index, which contains more industrial stocks than the Footsie, was a stark underperfomer yesterday, dropping 111.2 points or 1.9 per cent to 5,750.0. The FTSE SmallCap index fell 25.2 to 2,730.8.

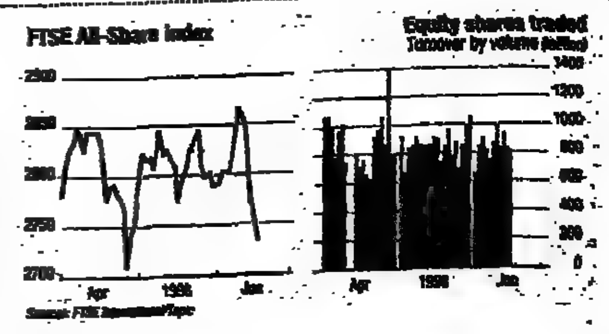
Heading the 250 index's fallers was Arriva, the motor group that issued a profit warning, and the Mirror Group, as German media company Axel Springer indicated it would not be bidding.

Considering there was a London Underground strike, and the distraction of England's first game in the World Cup, business was more active than might have been expected. Volume was 804.7m shares by the 6pm count, of which 54 per cent was in non-Footsie stocks. Penny stock Tamaris traded [illegible].

About 110m shares were traded during the two hours while the England-Tunisia match was being played.

Traders are more likely to be on their toes for the next two days, with the retail prices index for May out today and the average earnings and unemployment numbers due tomorrow.

FTSE All-Share index / Equity shares traded



Source: FTSE International/Topic

Indices and ratios

FTSE 100	5715.7	-54.1	FT 30	3775.7	-27.7
FTSE 250	5750.0	-111.2	FTSE Non-Fins p/e	22.69	23.12
FTSE 350	2789.3	-31.8	FTSE 100 Fut Jun	5730.0	-1.0
FTSE All-Share	2730.58	-30.73	10 yr Gilt yield	5.60	5.61
FTSE All-Share yield	2.88	2.85	Long gilt/equity yld ratio	1.94	1.96

Best performing sectors

1	Electricity	+1.1
2	Utilities	+0.8
3	Gas Distribution	+0.8
4	Water	+0.4
5	Retailers, Food	+0.3

Worst performing sectors

1	Diversified Inds	-2.9
2	Life Assurance	-2.8
3	Electronic & Elect	-2.6
4	Alcoholic Beverages	-2.5
5	Health Care	-2.1

Cars hit by resale slump

COMPANIES REPORT

By Joel Kibazo and Martin Brice

A profits warning from Arriva echoed one from Car Group on Friday and prompted a repeat of the markdowns in a range of companies that would suffer from a fall in the resale values of used cars.

Arriva said the market value of ex-contract hire cars had continued to deteriorate, and it was likely to make £7.5m less than last year's £100m. It was drawing up plans to separate the finance division and concentrate on its public transport businesses.

Dresdner Kleinwort Benson's FTSE 250 team told clients the shares, at yesterday's level, reflected Arriva's earnings from its bus business, with very little contribution from the car side.

The possibility that a slimmed-down Arriva would concentrate on buses prompted some chatter that National Express, down 34 at £10.48½, might bid for it.

Arriva's announcement spread gloom across the sector, with Arriva itself off 70 at 372p while Avis Europe fell 19 to 263½p and Lex Service fell 47½ to 534½p. Car Group was off 9½ at 96½p.

Notable among those that suffered was BCH Group, which provides vehicle funding for companies. It fell 17½ to 251½p.

In the general markdown, a few anomalies stood out, with Henlys down 11½ at 572½p in spite of its transformation in the past few years into a maker of buses, and Goode Durrant, off 12½ at 535p even though its leasing operations deal entirely with light commercial vehicles.

One company which swam against the tide was Wyndham Motor Group, the small car sales and servicing group. It rose 5 to 227½p, having floated at 100p at the beginning of this year.

British Telecommunications bucked the market trend as analysts weighed in with a clutch of recommendations after it held a presentation on its European operations on Friday. The shares rose 10½ to 653½p, in trade of 15m.

Dealers said BT had predicted its joint ventures in Europe would generate revenues of £2.4bn by 2002, well ahead of expectations.

Lehman Brothers was said to have upgraded the valuation of BT's European assets from 65p per share to 95p, suggesting Europe to be "the key positive in the BT story".

FT 30 INDEX

	Jun 15	Jun 12	Jun 11	Jun 10	Jun 9	Yr ago	*High	*Low
FT 30	3775.7	3803.4	3854.9	3907.8	3930.8	3054.3	3920.3	3737.7
Ord. div. yield	2.85	2.92	2.88	2.83	2.82	3.60	4.22	2.79
P/E ratio net	23.32	23.52	23.87	24.29	24.41	18.44	25.41	15.80
P/E ratio nil	23.11	23.32	23.66	24.07	24.20	18.25	25.30	15.71

FT 30 since compilation: high [illegible]; low 49.4 26/6/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9	10	11	12	13	14	15	16	High	Low
3803.4	3806.8	3749.4	3732.8	3751.7	3744.4	3748.5	3788.2	3774.6	3814.6	3737.7

STOCK MARKET TRADING DATA

	Jun 15	Jun 12	Jun 11	Jun 10	Jun 9	Yr ago
SEAQ bargains	68,368	69,134	58,889	58,585	67,980	62,314
Equity turnover (£m)†	-	-	-	2911.5	3098.8	3284.9
Equity bargains†	-	-	-	54,927	54,915	53,805
Shares traded (m)†	-	-	-	[illegible]	703.2	893.9
Total market bargains‡	-	70,077	60,125	59,726	68,710	-
Total turnover (£m)‡	-	3939.7	3838.0	3965.7	4237.0	-
Total shrs traded (m)‡	*804.7	985.7	1064.6	1061.2	1012.2	-
Tradepoint turnover (£m)	33.4	26.8	19.8	30.1	24.0	1.1
Tradepoint shrs traded	7,599	8,767	8,972	8,813	8,800	483

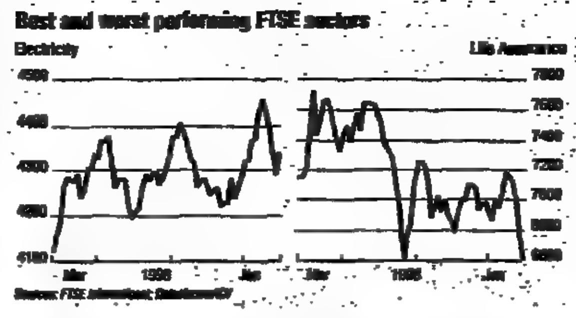
[illegible] including Crest turnover. *UK only total at 6pm. ‡ UK plus [illegible] turnover.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	291	Total Highs	73	Total contracts	34,113
Total Falls	1,613	Total Lows	177	Calls	15,170
Same	1,084			Puts	18,943

Jun 15 *Data based on Equity shares listed on the London Share Service.

Best and worst performing FTSE sectors



Source: FTSE International; Datastream/ICV

SBC Warburg Dillon Read is believed to have put the stock back on its "buy" list and raised its share price target to 780p from 700p; while Morgan Stanley was reported to have resumed coverage of the stock, rating it "outperform" with a share price target of 750p.

Mirror Group came under pressure after German company Axel Springer said it would not be making an offer for the UK media group. The shares lost 24½ or 10.5 per cent to 208½p.

Dealers had anticipated a bid at over 250p a share and they valued the group at around £1.25bn.

Some continue to believe the group is still in play. One analyst said: "This is a company that is trading at a 40 per cent discount to the market. I can't believe other groups will not be having a look at it with a view to taking it over."

Fears about the effect of the slowdown in Asia and the rise in sterling saw shares in manufacturing exporters suffer. British Aerospace fell 13 to 476p while others exposed to the strength of sterling that performed badly were Tomkins off 13½ at 334½p, Siebe off 11 at £12.20 and GEC down 15 at 500p.

One trader said the engineering sector was suffering from the strong pound, the second wave of Asian uncertainty that shifted the focus of worry from the tiger economies to Japan, and evidence of a slowing in the UK.

Steeled for results

British Steel had a roller-coaster ride as it unveiled results that exceeded the top end of expectations at £315m. The stock rose 5 ahead of the results but fell back 3 on the lack of details on the group's cost-cutting programme and the prospective impact of sterling strength.

It benefited later from US buying and closed up 4 at 138½p.

The slide in the Hong Kong index once again cast a shadow over Hong Kong related stocks. Cable & Wireless, 54 per cent owner of Hongkong Telecom gave up 15 to 656p, with Dresdner Kleinwort Benson said to have advised clients to "sell" the stock.

HSBC fell 33 to £14.00, but in a weak sector Barclays stood out after the shares appreciated 17 to £16.86.

Investors seeking defensive stocks helped boost Tesco, the UK's biggest food retailer. Shares in the group gained 17 to 564½p, making it one of the strongest in the market yesterday.

A two way pull in Asda Group saw the shares just end on a positive note, firming to 192p. Dealers said news of the company's move into the fast-food market with a chain of drive-through restaurants had helped boost sentiment.

Catering company Compass Group was for a while the best performing stock in the FTSE 100 following confirmation that its US subsidiary had won a contract to provide dining, vending and hospitality for all of Microsoft operations in the United States.

A late burst of buying in National Grid Group saw the company's shares sprint to the top of the Footsie best performers table. They closed 15½ up at 374½p.

Reports in the weekend press suggested NGG wants to take control of Britain's air traffic control system.

Following a bout of profit-taking, shares in the group closed 11 ahead at 617p.

JSB Software Technologies came to Aim through a placing at 200p and surged to close at 235p.

Recruitment consultancy ATA Group was floated at 134p and rose to 147½p.

The aftermath of a positive presentation to analysts on Friday made British Biotech the best performer in the FTSE 250, with the stock up 1½ at 40p, a rise of almost 4 per cent as the FTSE 250 declined almost 2 per cent.

A capital reorganisation at Hambros made the shares appear to be one of the worst performers in the FTSE 250 index.

The stock has been split into A and B shares, with the former representing the rump of the business and the latter rights to stock in Hambro Countrywide, the estate agency. The A shares fell 32½ to 179½p while Hambro Countrywide dropped 1½ to 141p.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	5742.0	5730.0	-30.0	5750.0	5640.0	50757	118248
Sep	5820.0	5804.0	-32.0	5830.0	5715.0	33918	[illegible]
Dec	-	5885.0	-36.0	-	-	0	878

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

[illegible]

FTSE 100 INDEX OPTION (LIFFE) (*5714) £10 per full index point

[illegible]

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

FTSE GOLD MINES INDEX

	Jun 15	% chg on day	Jun 11	Year ago	Gross div yield %	P/E ratio	52 week High	Low
Gold Mines Index (31)	867.48	-2.8	876.42	1522.[illegible]	2.42	-	[illegible]	[illegible]
Regional Indices								
Africa (14)	986.14	-4.9	1047.38	1702.25	[illegible]	[illegible]	[illegible]	[illegible]
Australasia (7)	1104.25	-2.9	1120.82	1717.4[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
North America (10)	825.01	-0.7	941.29	1507.17	[illegible]	[illegible]	[illegible]	[illegible]

 [illegible] US Dollars. Base Value: 1000.00 31/12/92. † Partial. [illegible]

FTSE Actuaries Share Indices — The UK Series

Institute of Actuaries

	Jun 15	Day's chge%	Jun 12	Jun 11	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5715.7	-0.9	5769.8	5862.5	4746.1	2.88	2.44	2.03	21.40	79.80	2301.89
FTSE 250	5750.0	-1.9	5861.2	5917.0	4657.1	2.88	2.43	2.00	21.76	70.43	2485.15
FTSE 250 ex IT	5819.3	-1.9	5933.1	5987.9	[illegible]	2.96	2.30	2.06	[illegible]	72.74	2505.35
FTSE 350	2789.3	-1.1	2821.1	2858.8	2285.1	2.88	2.44	2.02	21.46	37.98	[illegible]
FTSE 350 ex IT	2791.7	-1.1	2823.3	2861.1	2284.7	2.90	2.45	2.03	21.21	38.24	1280.46
FTSE 350 Higher Yield	2682.0	-1.1	2711.7	2753.2	2220.8	3.97	3.39	1.88	16.78	48.44	2050.46
FTSE 350 Lower Yield	2895.5	-1.1	[illegible]	2964.3	2376.8	2.10	1.75	2.27	26.85	28.61	[illegible]
FTSE SmallCap	2730.84	-0.9	2756.00	2767.38	[illegible]	2.86	2.31	1.57	27.80	28.82	2374.81
FTSE SmallCap ex IT	2745.99	-0.8	2768.48	2778.33	2263.36	3.02	2.45	1.63	25.26	30.21	2413.39
FTSE All-Share	2730.58	-1.1	2761.31	2785.84	2249.87	2.88	2.43	1.99	21.76	36.62	2477.94
FTSE All-Share ex IT	2735.19	-1.1	[illegible]	2801.11	2248.80	2.91	2.45	2.01	[illegible]	37.04	1277.02

FTSE Actuaries Industry Sectors

	Jun 15	Day's chge%	Jun 12	Jun 11	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 RESOURCES(33)	4463.41	-0.4	4480.85	4568.02	4890.93	3.41	2.85	1.72	21.36	74.28	2053.34
12 Extractive Industries(8)	2698.22	-1.9	2750.18	2797.44	4809.25	5.21	4.77	2.03	11.84	76.82	851.81
15 Oil, Integrated(4)	3042.28	-0.1	5049.08	5153.79	4748.55	3.34	2.88	1.94	[illegible]	79.87	2385.81
16 Oil Exploration & Prod(12)	3137.13	-1.1	3170.76	3207.73	3747.19	1.70	1.50	1.97	34.92	[illegible]	1948.02
20 GEN INDUSTRIALS(216)	2248.82	-1.7	2285.10	2320.95	1972.17	3.28	2.87	2.18	17.51	29.88	1320.91
21 Construction(35)	1715.54	-1.5	1741.17	1747.26	1416.46	2.84	2.30	2.65	16.85	19.87	1530.58
22 Building Matls & Merchants	1944.41	-1.7	1978.08	2000.86	1932.88	3.81	3.28	1.78	18.43	31.83	1058.77
23 Chemicals(24)	2854.06	-0.8	2877.70	2916.20	2486.82	3.31	3.08	1.73	[illegible]	43.57	1481.92
24 Diversified Industrials	1383.26	-2.9	1430.29	1445.80	1300.20	3.91	3.60	2.34	[illegible]	[illegible]	[illegible]

[illegible]

Hourly movements

[illegible]

TRADING VOLUME

Major Stocks yesterday.

[illegible]

FTSE INTERNATIONAL

هكذا من الاصل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jun 15 / Sch)

BELGIUM/LUXEMBOURG (Jun 15 / Frs.)

CZECH REP (Jun 15 / Koruna)

DENMARK (Jun 15 / Kr)

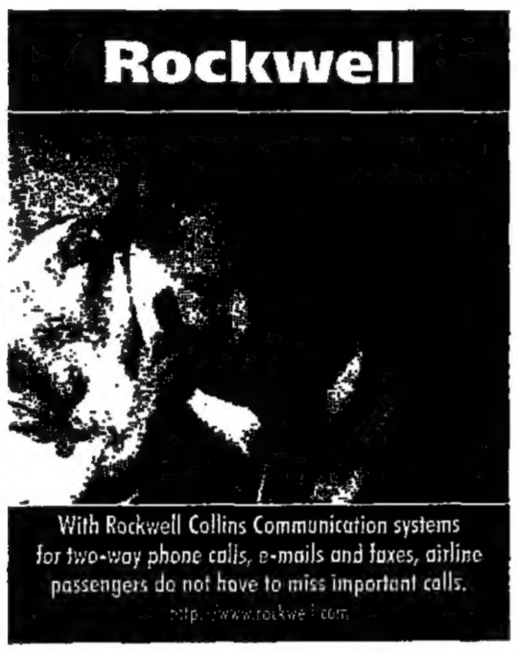
FINLAND (Jun 15 / Mkk)

FRANCE (Jun 15 / Frs.)

GERMANY (Jun 15 / Dm.)

GREECE (Jun 15 / Drachma)

ITALY (Jun 15 / Lira)



NETHERLANDS (Jun 15 / Fls.)

NORWAY (Jun 15 / Kroner)

POLAND (Jun 15 / Zloty)

PORTUGAL (Jun 15 / Escudo)

SPAIN (Jun 15 / Pts.)

SWEDEN (Jun 15 / Kronor)

SWITZERLAND (Jun 15 / Frs.)

TURKEY (Jun 15 / TK Lira)

PACIFIC

JAPAN (Jun 15 / Yen)

AUSTRALIA (Jun 15 / AusS)

HONG KONG (Jun 15 / HK$)

INDONESIA (Jun 15 / Rupiah)

MALAYSIA (Jun 15 / MYR)

NEW ZEALAND (Jun 15 / NZ $)

SINGAPORE (Jun 15 / S$)

SOUTH KOREA (Jun 15 / Won)

TAIWAN (Jun 15 / TW $)

THAILAND (Jun 15 / Baht)

AMERICAS

CANADA

TORONTO (Jun 15 / Can $)
4 pm close

MONTREAL (Jun 15 / Can $)
4 pm close

MEXICO (Jun 15 / Peso)
12:30 pm

AFRICA

SOUTH AFRICA (Jun 15 / Rand)

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY JUNE 12 1998 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY JUNE 11 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (72)	177.75	0.9	181.54	182.03	188.74	188.24	0.2	3.98	176.08	160.13	158.71	165.15	198.81	243.87	176.08	232.67
Austria (23)	233.27	-2.7	212.01	212.64	218.83	218.70	-2.7	1.55	239.83	218.11	216.17	224.94	224.81	253.73	181.80	184.89
Belgium (25)	357.04	-1.2	324.49	325.46	334.94	327.70	-1.2	2.11	361.49	328.74	325.82	339.05	331.78	364.43	234.33	255.67
Brazil (26)	212.35	-2.7	192.99	193.57	199.20	451.42	-2.6	2.27	218.22	198.45	196.69	204.87	463.37	322.44	184.84	284.34
Canada (120)	231.79	0.3	210.66	211.29	217.44	246.34	0.3	1.82	231.20	210.28	208.39	216.85	245.56	248.78	199.10	211.11
Denmark (94)	508.52	-1.5	462.16	469.54	477.04	475.26	-1.5	1.27	516.23	469.47	465.29	484.19	482.40	521.81	375.32	388.31
Finland (28)	413.04	-2.7	375.38	376.50	387.47	475.44	-2.7	1.92	424.49	386.04	382.91	398.14	488.57	451.12	267.59	277.82
France (78)	318.04	-2.0	289.04	289.90	298.34	301.85	-2.0	1.95	324.70	295.28	292.66	304.54	308.07	335.75	217.48	225.93
Germany (58)	295.65	-1.5	388.69	289.49	277.34	277.34	-1.6	1.20	300.38	273.17	270.74	281.74	281.74	307.24	204.89	215.13
Greece (37)	278.27	-2.1	252.90	253.66	261.04	612.50	-1.9	1.50	284.32	258.57	256.27	266.67	624.80	307.94	264.88	–
Hong Kong, China (88)	231.89	0.4	210.75	211.38	217.53	230.73	0.4	6.83	230.97	210.04	208.18	216.63	228.79	580.03	230.97	465.72
Indonesia (27)	28.09	-2.4	25.52	25.60	26.35	240.35	-0.7	2.91	28.79	26.18	25.95	27.00	241.94	254.90	27.28	241.63
Ireland (16)	518.63	-0.9	471.34	472.75	486.52	523.09	-0.8	1.86	523.24	475.84	471.61	490.76	527.37	580.44	348.43	351.94
Italy (54)	159.40	-2.5	144.86	145.30	149.53	211.56	-2.5	1.32	163.43	148.62	147.30	153.28	216.91	177.15	90.11	90.11
Japan (480)	85.02	-1.1	77.27	77.50	79.76	77.50	0.0	1.02	88.01	78.22	77.53	80.67	77.58	141.12	85.02	137.18
Malaysia (106)	127.28	-1.9	115.67	116.02	119.40	198.58	-2.0	3.24	129.75	118.00	116.95	121.70	200.65	530.29	113.56	580.29
Mexico (29)	1327.56	-3.2	1206.52	1210.12	1245.36	13143.21	-2.0	1.85	1371.25	1247.04	1235.95	1286.13	13411.59	1901.98	1327.56	1518.93
Netherlands (19)	504.69	-2.3	458.67	460.04	473.44	468.50	-2.3	1.97	516.66	469.06	465.68	484.58	479.52	532.74	385.56	386.97
New Zealand (14)	57.68	-0.5	52.40	52.56	54.09	61.06	-1.1	4.98	57.97	52.72	52.25	54.37	61.71	96.47	57.66	91.80
Norway (38)	302.70	-1.9	275.10	275.92	283.85	313.68	-1.7	1.88	308.41	280.47	277.97	289.28	319.10	374.84	281.62	311.07
Philippines (22)	78.03	-1.0	70.92	71.13	73.20	157.80	0.0	1.32	78.81	71.87	71.03	73.92	157.89	172.36	57.54	167.46
Portugal (18)	274.87	0.0	249.61	250.56	257.85	346.80	-0.2	1.10	274.98	250.07	247.84	257.91	347.72	299.39	268.22	–
Singapore (42)	143.16	-1.1	130.11	130.50	134.30	115.15	-0.9	2.64	144.73	131.62	130.45	135.75	116.18	401.75	142.98	387.84
South Africa (42)	244.37	-4.0	222.09	222.75	228.24	283.67	-3.0	3.04	254.80	231.53	229.48	238.79	292.59	394.24	227.66	363.01
Spain (31)	367.90	-2.2	334.35	335.36	345.12	426.83	-2.1	1.79	376.06	342.00	338.96	352.72	435.09	398.54	236.28	258.50
Sweden (49)	580.13	-1.3	527.24	528.81	544.21	686.30	-1.4	1.71	587.78	534.53	529.78	551.29	695.74	815.21	438.88	482.27
Switzerland (30)	390.66	-1.4	355.04	356.10	366.47	382.90	-1.0	1.14	396.03	360.16	356.95	371.45	386.10	414.85	285.85	299.87
Thailand (38)	13.68	-1.6	12.43	12.47	12.83	23.10	-1.1	11.63	13.90	12.64	12.53	13.04	23.36	69.08	13.10	61.34
United Kingdom (205)	371.98	-1.3	338.06	339.07	348.95	338.05	-1.4	2.93	376.02	342.69	339.64	353.43	342.89	401.84	300.08	306.20
USA (631)	448.46	0.3	407.57	408.79	420.70	448.46	0.3	1.44	447.16	406.65	403.04	419.40	447.16	462.18	358.22	357.52
Americas (806)	404.43	0.2	367.58	368.65	379.29	342.16	0.2	1.45	405.47	386.92	363.66	378.42	341.30	418.95	326.02	327.15
Europe (743)	351.62	-1.6	319.56	320.52	329.85	335.84	-1.6	2.01	357.50	325.12	322.23	335.31	341.39	368.69	285.25	268.53
Eurobloc (350)	101.79	-2.0	103.96	110.32	103.22	103.23	-1.9	1.65	103.82	106.10	111.26	105.27	105.27	108.98	100.08	–
Nordic (149)	505.33	-1.8	459.26	460.69	474.04	521.30	-1.6	1.70	513.65	467.12	462.98	481.78	529.97	536.56	388.51	398.01
Pacific Basin (867)	90.87	-0.5	82.58	82.83	85.24	82.92	0.0	1.81	91.67	83.38	82.82	85.98	82.95	158.99	90.87	154.15
Euro-Pacific (1610)	198.55	-1.4	181.36	181.90	187.20	178.39	-1.2	1.96	202.47	184.13	182.45	188.80	180.58	216.04	172.03	201.05
North America (751)	434.51	0.3	394.89	396.07	407.61	434.85	0.3	1.44	433.26	394.01	390.50	406.36	433.58	448.61	347.02	348.51
Europe Ex. UK (538)	329.53	-1.8	289.48	300.36	309.13	324.29	-1.8	1.57	335.63	305.23	302.52	314.80	330.09	346.53	236.79	239.27
Europe Ex. Eurobloc (393)	95.93	-1.3	97.98	103.97	97.28	97.75	-1.3	2.38	97.22	98.36	104.18	98.57	90.05	100.97	95.93	–
Europe Ex. UK Ex. Eurobloc (188)	98.80	-1.4	100.70	108.87	99.99	100.00	-1.2	1.34	100.00	102.28	107.17	101.38	101.22	104.20	98.80	–
Pacific Ex. Japan (387)	149.44	0.2	135.81	136.22	140.18	158.77	0.0	4.93	149.00	135.58	134.38	139.83	158.84	318.98	149.09	302.84
World Ex. Eurobloc (2108)	95.16	-0.2	86.49	86.74	89.27	96.73	-0.1	1.68	95.40	86.76	85.98	89.48	96.84	100.18	95.16	–
World Ex. US (1827)	202.28	-1.4	183.83	184.38	189.75	184.71	-1.2	1.98	205.18	188.59	184.94	192.44	188.91	220.18	176.30	204.74
World Ex. UK (2253)	273.16	-0.4	248.26	249.00	258.25	253.20	-0.3	1.54	274.38	249.53	247.31	257.35	253.98	287.02	234.24	248.31
World Ex. Japan (1978)	378.97	-0.6	344.42	345.45	355.51	374.86	-0.5	1.75	380.76	340.27	343.19	357.12	376.58	394.39	309.33	313.04
The World Index (2458)	281.54	-0.5	255.87	256.64	264.11	260.90	-0.4	1.88	283.05	257.41	255.12	265.48	261.90	286.57	241.30	253.29

Emerging markets: IFC investable indices

Dollar terms

Jun 12 Market		Day's Chg %	% Chg since 31/12/97
Latin America			
Argentina	918.73	+0.7	-17.7
Brazil	417.11	-2.5	-13.8
Chile	536.42	-2.2	-16.5
Colombia[1]	529.29	-0.9	-35.9
Mexico	580.68	-3.0	-26.3
Peru[2]	201.75	-1.1	-8.9
Venezuela[3]	525.21	-4.7	-42.8
East Asia			
China[4]	35.97	-0.3	-34.8
Korea[5]	24.03	-8.5	
Philippines	110.58	-1.0	-1.9
Taiwan, China[6]	108.79	-1.6	-22.0
South Asia			
India[7]	71.40	+1.1	-14.3
Indonesia[8]	12.45	-3.0	-63.0
Malaysia	71.31	-2.1	-21.8
Pakistan[9]	131.01	+2.2	-47.2
Sri Lanka[10]	102.68	-2.3	-11.7
Thailand	40.25	-2.8	-14.4
Europe/Mideast/Africa			
Czech Rep	51.47	+1.2	-5.8
Egypt	79.40	-0.3	-14.7
Greece	499.62	-2.8	+64.2
Hungary[11]	308.67	-0.3	-2.6
Israel	131.06	-0.4	+8.5
Jordan	218.93	+0.1	+4.1
Morocco	163.88	+0.3	+25.8
Poland[12]	604.97	-1.6	+14.8
Portugal	305.81		+44.9
Russia	67.13		-54.9
S Africa[13]	170.40	-2.6	-0.7
Slovakia	55.78	-6.0	-43.7
Turkey[14]	271.65		-13.0
Zimbabwe[15]	240.20	-2.3	-1.4
Regions			
Composite	210.70	-2.1	-14.3
Latin America	540.35	-2.2	-20.2
Asia	82.99	-2.7	-23.0
EMEA	149.08	-1.7	-1.1
Europe	181.76	-0.7	-3.6
Eastn Europe	92.01	-0.5	-34.5
ME & Africa	72.58	-2.6	+1.5

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 5 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

Latest indices were unavailable for this edition.

SE

4 pm close June 15

NEW YORK STOCK EXCHANGE PRICES

- X - Y - Z -

1998 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Chng Prev
115	89⅞	Xerox x	1.44	1.6	27	10823	95½	92½	92[illegible]	[illegible]
68[illegible]	50	Xtra Corp	0.88	1.8	15	270	49[illegible]	d48½	48[illegible]	[illegible]
28[illegible]	22½	Yankee Egy x	1.30	5.8	16	53	22¾	22[illegible]	22[illegible]	[illegible]
52¾	34¾	York Int	0.48	1.0	41	382	47¾	46[illegible]	46[illegible]	[illegible]
15¾	9[illegible]	Zapata	0.28	2.8	25	228	10[illegible]	9[illegible]	10[illegible]	[illegible]
30½	24½	Zenith Nat	1.00	3.6	17	226	28[illegible]	28	28[illegible]	[illegible]
8[illegible]	7[illegible]	Zweig Inc	0.73	9.8		71	7[illegible]	7½	7[illegible]	[illegible]
33¾	25	Zurn	0.12	0.4	16	48	27[illegible]	27[illegible]	27[illegible]	[illegible]
14[illegible]	12[illegible]	Zweig Fd	1.32	11.1		158	12[illegible]	d11[illegible]	11[illegible]	[illegible]
9[illegible]	8½	Zweig Tot x	0.84	9.8		1083	8[illegible]	8[illegible]	8[illegible]	[illegible]

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.
d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

♣ **FT Free Annual Reports Club**
You can obtain the current annual reports and if available quarterly reports of any companies on the US exchanges with a ♣ symbol. To order reports ring (International Access) 1-804-32 0-8087 or give the names of the companies whose reports you want and fax your request to (International Access) 1-804-320-6135. Reports will be sent the next working day, subject to availability. You can also order online at http:// www.icbinc.com/cgi-bin/ft.

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Jun 12	Jun 11	Jun 10	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	8834.94	8811.77	8971.70	9211.84 (13/5)	7580.42 (9/1)	9211.84 (13/5/98)	41.22 (8/7/32)
Home Bonds	105.08	104.86	104.83	105.48 (15/1)	104.42 (11/5)	105.48 (15/1/98)	54.99 (1/10/81)
Transport	3378.94	3400.10	3440.34	3686.02 (16/4)	3194.35 (9/1)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	293.42	283.79	292.84	293.79 (11/6)	262.65 (9/1)	293.79 (11/6/98)	16.53 (8/7/32)

DJ Ind. Day's High 8891.24 (9016.54) Low 8660.56 (8774.40) (Theoretical‡)
Day's High 8834.94 (8893.02) Low 8684.22 (8808.52) (Actual‡)

Standard and Poors	Jun 12	Jun 11	Jun 10	1998 High	1998 Low	Since compilation High	Since compilation Low
Composite‡	1098.84	1094.58	1112.28	1130.54 (22/4)	927.69 (9/1)	1130.54 (22/4/98)	4.40 (1/6/32)
Industrials‡	1278.37	1272.26	1294.08	1311.46 (22/4)	1077.40 (9/1)	1311.46 (22/4/98)	3.52 (30/6/32)
Financial‡	132.98	133.25	135.42	140.83 (14/4)	110.85 (9/1)	140.83 (14/4/98)	7.13 (4/9/74)
Others							
NYSE Comp.	566.67	565.50	574.37	585.82 (22/4)	487.47 (9/1)	585.82 (22/4/98)	4.64 (25/4/42)
Amex Comp	697.40	699.06	706.85	753.67 (22/4)	646.41 (12/1)	753.67 (22/4/98)	324.20 (16/7/96)
NASDAQ Comp	1745.05	1749.75	1773.25	1917.81 (22/4)	1508.22 (9/1)	1917.81 (22/4/98)	54.87 (3/10/74)
Russell 2000	441.59	444.25	451.06	481.41 (21/4)	410.89 (12/1)	481.41 (21/4/98)	123.36 (7/12/93)

■ RATIOS

	Jun 12	Jun 5	May 29	Year ago
Dow Jones Ind. Div. Yield	1.61	1.58	1.60	1.64
	Jun 10	Jun 3	May 27	Year ago
S & P Ind. Div. yield	1.32	1.35	1.33	1.69
S & P Ind. P/E ratio	31.02	30.20	30.60	23.32

US DATA

■ MARKET ACTIVITY

[illegible]

■ NYSE TRADING ACTIVITY

■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Compaq	[illegible]	[illegible]	[illegible]
Cendant	[illegible]	[illegible]	[illegible]
Telebras	[illegible]	[illegible]	[illegible]
BayNetwks	[illegible]	[illegible]	[illegible]
GenElec	[illegible]	[illegible]	[illegible]
MicronTech	[illegible]	[illegible]	[illegible]
Txdrust	[illegible]	[illegible]	[illegible]
Boeing	[illegible]	[illegible]	[illegible]
IBM	[illegible]	[illegible]	[illegible]
Schlmb	[illegible]	[illegible]	[illegible]

■ BIGGEST MOVERS

[illegible]

■ NASDAQ TRADING ACTIVITY

■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Intel	18,011,600	68¼	-⅛
DellComp	14,717,000	85⅞	+⅛
ApplMat	13,228,900	28⅞	+⅛
WorldCom	11,872,500	42⅝	+⅛
Micsft	10,320,400	85⅝	+⅛
AscendComm	10,173,000	49⅝	+1⅛
3Com	9,161,800	24	-1
Oracle	8,735,600	25¾	+⅛
Ericsson	7,714,500	27	-⅛
MCI Cm	7,491,000	46⅞	+1⅛

■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Sinbad	20⅛	+3¼	+19.2
Accrth	28⅝	+3⅞	+15.8
C-Cube	18	+2⅛	+14.7
WindrvSy	32⅝	+2½	+8.3
Downs			
RoraMcro	12⅝	-5	-28.6
Silicnix	18	-4⅛	-18.3
Genstar	37⅞	-4	-9.6
Allied	22⅛	-2⅛	-8.0

Dow Jones [illegible]

FTSE Eurotop 300 [illegible]

JAPAN

	Jun 15	Jun 12	Jun 11	1998 High	1998 Low	Since compilation High	Since compilation Low
Nikkei 225	14825.17	15022.33	15014.04	17264.39	14664.44	38915.9	85.25

Day's high 14864.34 Day's low 14729.30

■ TOKYO TRADING ACTIVITY Volume : 312,000,000

■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Np Steel Cp	11,388,000	222	
LTCB	6,644,000	152	-6
Ishikawa Sets	5,254,000	305	-5
Sakura Bank	4,553,000	372	-12
Nikko Secs	4,240,000	660	-25
Mitsub Mtlsm	3,751,000	562	+17
Nomura Secs	3,531,000	1380	-51
Bk Tk-Mitsub	3,435,000	1252	-28
Hitachi	3,435,000	871	-7
Kawasaki Steel	3,427,000	218	+1

■ BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Seikitoyo Kgy	143	+29	+24.2
Nitto Construn	265	+39	+17
Sharafu	215	+30	+16.2
Np Kaden Chem	125	+13	+11.9
Downs			
Yurasu Cp	735	-53	-12.2
Toshima Cp	74	-8	-9.5
Nb Cwmeyza	100	-10	-9.1
Gunze Sangyo	163	-16	-2.9

GERMANY

	Jun 15	Jun 12	Jun 11	1998 High	1998 Low	Since compilation High	Since compilation Low
DAX	5527.32	5670.83	(c)	5779.09	4092.25	5779.09	321.15

Day's high 5596.28 Day's low 5512.58

■ FRANKFURT TRADING ACTIVITY Volume : 11,554,400

■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Deut.Telekom	553,584	46.2	-1.5
Commzbank	535,404	67.5	-1.7
Bayer	439,520	83.7	-3.3
Siemens	431,834	107	-4.6
Daimler-Bz	430,480	179.7	-5.1
BASF	394,983	79.7	-2.7
Lufthansa	355,786	45.2	-1.2
Veba	342,660	110.3	-2.7
Deut.Bank	331,635	144.9	-4.4
Hoechst	325,316	79.98	-2.32

■ BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Dots Mogul	115	+8	+7.5
Duerr	72	+3.9	+5.7
Schmdt Rohsk	220	-11	+5.3
Weisig (M.)	52	+2	+3.5
Downs			
Lahmeyer	65	-7.6	-9.4
Bmw W-Kt	140	-12	-7.9
Bilfinger&Bgr	63.25	-4.75	-7.3
Babcock-BSH	102	-8	-7.3

FRANCE

	Jun 15	Jun 12	Jun 11	1998 High	1998 Low	Since compilation High	Since compilation Low
CAC 40	4005.33	4050.76	4141.61	4298.60	2862.54	4298.6	[illegible]

Day's high 4070.40 Day's low 3947.94

■ PARIS TRADING ACTIVITY Volume : 621,894,500

■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
CPE France	2,139,511	220	+1
Fr.Telecom	1,250,093	377	-0.2
SNP	1,044,723	405.5	-17.7
Axa-UAP	1,022,287	635	-21
Usinor	972,342	90.7	-3.4
Rhne-Pnc A	774,214	325	-7.5
Paribas	756,892	580	-19
Euro Disney	725,372	11.1	-0.4
Alcatel	633,752	1163	-31
Renault (RNO)	574,129	325	-13.1

■ BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Elektrika	05	+6.9	[illegible]
Agache	2050	[illegible]	[illegible]
CNIM pcp	219	+2	[illegible]
CLIJ	230	+10	[illegible]
Downs			
High Co	[illegible]	[illegible]	[illegible]
Vilmorin	[illegible]	[illegible]	[illegible]
Air Liquide	995	[illegible]	[illegible]
Rondex	[illegible]	[illegible]	[illegible]

UK

	Jun 15	Jun 12	Jun 11	1998 High	1998 Low	Since compilation High	Since compilation Low
FTSE 100	5715.7	5768.9	5552.5	6105.80	5089.70	6105.8	[illegible]

Day's high 5773.5 Day's low 5646.1

■ LONDON TRADING ACTIVITY Volume : 804,700,000

■ ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Bank Street	75,311,940	132½	+4
Tomkins	45,705,120	325	
Shell T&T	15,600,510	420	-3
BT	15,347,930	652½	+10½
GEC	12,514,220	580	-15
BG	9,293,305	312	+3
South Bolton	9,150,810	725½	-11½
Asda Grp	7,293,471	192	+5
HSBC (75p)	7,124,226	1400	-33
Cable & Wire	7,024,110	656	-15

■ BIGGEST MOVERS

[illegible]

INDEX FUTURES

■ S&P 500	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	1088.00	1089.50	-10.90	1093.00	1084.50	57,412	172,903
Sep	1112.00	1100.70	-11.50	1114.30	1096.00	174,743	251,813
■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	14840.0	14730.0	-220.0	14920.0	14720.0	24,944	156,458

Open interest figures for previous day.

■ CAC-40 (200 x Index)	Open	Sett Price	Change	High	Low	Est. vol	Open int.
Jun	4000.5	3991.0	-42.0	4003.0	3940.0	22,557	50,092
Jul	4003.0	3996.0	-42.5	4003.0	3940.0	1,254	1,879
■ DAX							
Jun	5636.0	5592.0	-43.0	5673.5	5506.5	42,100	121,692
Sep	5688.5	5641.0	-45.0	5721.5	5560.0	14,073	28,094

■ OMX	Open	Sett Price	Change	High	Low	Est. vol	Open int.
Jun	765.00	753.02	-22.00	768.00	747.50	[illegible]	[illegible]
Jul	771.00	753.75	-19.25	771.00	750.00	[illegible]	[illegible]
■ SOFFEX							
Jun	7421.5	7347.0	-63.0	7430.0	7255.1	[illegible]	[illegible]
Jul	7455.0	7251.5	-93.5	7438.0	[illegible]	[illegible]	[illegible]

WORLD MARKETS AT A GLANCE

Country	Index	Jun 15	Jun 12	Jun 11	1998 High	1998 Low	Yield	P/E
Argentina	General	(c)	19554.20	19623.60	23485.47 23/3	18237.48 2/1	3.2	17.8
Australia	All Ordinaries	2587.5	2571.7	2558.7	2881.40 15/4	2542.40 12/1	3.5	19.4
	All Mining	560.8	572.2	577.8	713.10 23/4	552.20 13/1		
Hungary	Bux	7508.62	7739.14	7744.88	9816.38 23/4	7049.35 28/5	na	na
India	BSE Sens.	3152.96	3347.41	3335.76	4280.96 21/4	3152.96 15/6		
	Crisil 500	607.28	642.28	638.52	815.62 21/4	594.38 29/1	na	na
Portugal	BVL 30	5433.95	5578.18	(c)	6178.88 22/4	3679.27 2/1	1.8	[illegible]
	PSI 20	12407.81	12736.50	(c)	14282.88 22/4	8031.84 2/1		
Russia	RTS	165.11	(c)	173.13	411.81 5/1	165.11 15/6	na	na

News Corp continued to soar but falls beat rises by 11 to 8 and resources fell 1.5 per cent. AMP debut a success.

Richter Gedeon, a strong pharmaceuticals exporter to Russia, fell sharply.

The government's move to raise import duties hit sentiment.

Weakness in overseas markets depresses Portuguese shares.

Shares down to the lowest level since October 1996.

[illegible]

THE NASDAQ STOCK MARKET

4 pm close June 15

[illegible]

THE NASDAQ STOCK MARKET

[illegible]

AMEX PRICES

4 pm close June 15

[illegible]

EASDAQ

[illegible]

STOCK MARKETS

Sliding yen deepens fears of devaluation

WORLD OVERVIEW

International equities suffered from Asian contagion yesterday as the yen continued its slide, *writes Emiko Terazono.*

The Japanese currency's decline to the Y146 level against the dollar added to deepening fears over a devaluation of the Chinese renminbi and the fate of the Hong Kong dollar, which in turn led to further falls in the region's currencies.

Europe was dragged down as Asian markets posted currency-linked losses, with investors selling off companies with heavy exposure to Asia.

LVMH, the luxury goods group, lost 2.2 per cent, while both Nokia and Ericsson tumbled. Swiss machinery companies, which rely on exports to Japan and China, were also among the casualties.

With Japan falling into what seems to be its worst post-war recession, many commentators expect the yen to fall further, causing more turmoil in Asia. Salomon Smith Barney predicts the yen will drop beyond Y150 against the dollar in the coming months with a possible decline beyond the Y160 level.

How long the Japanese and US government will be able to withstand criticism from the rest of Asia, especially China, and refrain from intervening in the foreign exchange markets remains to be seen.

However, considering the seriousness of Japan's economic decline, some analysts point out that financial authorities in both countries will want to allow the yen to slide as much as possible.

Is the yen's performance fundamentally damaging to Asian economies? SG Securities believes that markets may be overly pessimistic, since most of Asia, with the exception of South Korea, does not directly compete with Japan.

China should not be a loser from a weaker yen, it argues, since only 17 per cent of China's exports go to Japan, while 20 per cent of China's imports come from there and 32 per cent of its debt is denominated in yen.

However, it is important to remember that Japan is one of the leading investors into Asia and a weakening currency is hardly an encouraging sign for those countries that rely on capital inflows from Tokyo.

Meanwhile some analysts believe that if China's growth slows further, it may be hard for the government to resist pressure to devalue.

With the unemployment rate expected to rise, gross domestic product growth below 5 per cent could force the Chinese government to consider devaluation as an engine for growth, says James Montier, strategist at BT Alex Brown.

Dow plunges more than 200 points

AMERICAS

Investors stampeded out of US blue chip shares yesterday as the latest concerns of growing turmoil in Asian markets sent the Dow Jones Industrial Average down towards 8,600, *writes John Labate in New York.*

Major sectors were weaker throughout yesterday, but the pace picked up momentum in the final hours of trading. By the close the Dow had lost 202.53 or 2.3 per cent to 8,632.41. The broader Standard & Poor's 500 was off 21.23 to 1,077.61.

While stocks sank, US Treasuries soared as the dollar climbed further against the Japanese yen. By late afternoon the 30-year bond surged 1 1/32 to 107 5/32, sending the yield into record territory again, at 5.597 per cent.

Leading stocks lower early on was a warning by Minnesota Mining and Manufacturing. 3M's shares closed down 6.7 per cent or $5 13/16 to $81 after the company warned second-quarter earnings would be below expectations due to problems in Asia and the strength of the dollar. A number of other Dow shares were also off sharply, including Union Carbide, down $2 to $45 5/16.

Falling oil prices and the strong dollar also added to the negative mood that overshadowed two takeover announcements.

Bay Networks, the computer networking company, was acquired by Northern Telecom in a $9.1bn deal. Bay's shares soared $2 5/16, a rise of 8.6 per cent, to $30¾, while Northern Telecom plunged more than 16 per cent to $54.

In the banking sector KeyCorp, the Cleveland-based bank, said it had bought investment bank McDonald & Co. McDonald's shares climbed 6.9 per cent to $32 11/16, while KeyCorp fell $1¼ to $35¾.

Sunbeam, the consumer products producer, tumbled $2 3/16 or more than 12 per cent to $15¾ after the board confirmed the departure of the chief executive.

The Nasdaq composite was down 29.30 or 1.68 per cent to 1,715.75, while the Russell 2000 of small cap shares lost 7.73 to 433.86.

TORONTO fell steeply from the opening bell with a slide for two telecoms heavyweights combining with the early shake-out on Wall Street to depress sentiment.

Northern Telecom was the morning's outstanding casualty, crashing C$11.10 to C$82 in heavy two-way turnover on the news that the company is making a $9.1bn takeover bid for Bay Networks of the US.

The surprise deal also cast a shadow over BCE which will see its stake in Northern Telecom diluted from 51 per cent to about 41 per cent under the merger. BCE shed C$2.05 to C$63.90.

With some big banks also showing signs of stress, there was no hiding place for the 300 composite index. At noon the benchmark was off 125.82 at 7,185.10.

Royal Bank of Canada came off C$1.35 to C$86.40 and Canadian Imperial shed 95 cents to C$46.40. Barrick added 15 cents at C$25.35.

HK slumps to three-year low

ASIA PACIFIC

Sharply higher interbank rates on the back of the weakening Japanese yen sent **HONG KONG** diving and the Hang Seng index slumped 452.94 to close at 7,462.50, after hitting a low of 7,438.72. This was the lowest close since February 3 1995, when the index hit 7,342.65. The intraday low was the weakest level since January 30 1995.

Turnover was HK$6.2bn against Friday's HK$6bn.

Brokers said concern about the strength of the Chinese renminbi continued to haunt the market.

THE DAY'S CHANGES

	% Change
Bombay	-5.8
Hong Kong	-5.7
Bangkok	-5.7
Colombo	-5.2
Seoul	-4.8
Karachi	-4.7
Manila	-4.5
Kuala Lumpur	-4.3
Singapore	-3.5
Tokyo	-1.3
Taipei	+2.3

Index heavyweight HSBC Holdings shed HK$6 to HK$170 while its subsidiary, Hang Seng Bank, was off HK$3.10 at HK$43.80.

Swire Pacific bucked the trend, adding 70 cents to HK$23.15. Analysts said the stock had dropped so much it was now a safe haven.

TOKYO tumbled to close at a six-month low in new economic gloom, *writes Gillian Tett in Tokyo.*

The Nikkei 225 average fell 197.16 or 1.3 per cent to 14,825.17, the first time it had closed below 15,000 since January 13.

Trading was muted, with estimated volumes 300m shares. Losers outnumbered gainers 679 to 430, with 177 unchanged.

Securities fell 4.3 per cent and real estate 3.8 per cent. Railroads led gainers, up 1.7 per cent.

The broad-based Topix index of all first section shares fell 10.04 or 0.85 per cent to 1,167.21.

The slump was partly triggered by renewed yen weakness: the Japanese currency fell Y2 to an eight-year low of Y146.2 to the dollar during the day.

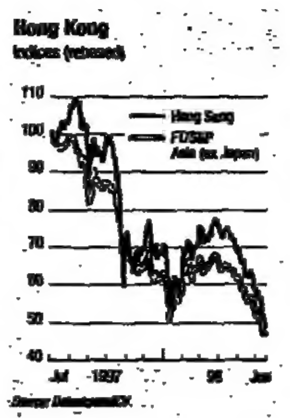
It was also fuelled by a new batch of gloomy economic news. On Friday the government announced that gross domestic product contracted for a second consecutive period in the January-March quarter, the standard definition of a recession. Yesterday, the Ministry of International Trade and Industry also said revised industrial production for April was -1.6 per cent, worse than the initial forecast of a 1.1 per cent decline.

Yesterday's gloom hurt even the export stocks. Sony fell Y190 to Y11,359 and Toshiba lost Y6 to Y569. Construction shares were hurt after Moody's downgraded Hazama and Fujita, and then placed Taisei and Kumagai Gumi under review. Hazama was unchanged at Y83, Taisei dropped Y18 to Y244 and Kumagai slid Y1 to Y88.

SEOUL took its cue from the foreign exchanges where the won moved steeply lower. The Kospi index came off 14.60 to 288.21, its lowest level since January 1987. Brokers said government plans to publish a list of non-viable companies had also unsettled sentiment.

BANGKOK fell to its lowest level since December 11. The SET composite index fell 15.98 to 263.39 as the slide in the baht led investors to sell financials.

The currency's decline added to nerves over the balance sheets of companies with large foreign debts. Concerns about recapitalisation especially hit banks.



The banking sector was the most actively traded during the day, losing 5.3 per cent, followed by financials, which lost 14.9 per cent.

Thai Farmers Bank fell Bt3.25 to Bt40, Bangkok Bank declined Bt2 to Bt49 and National Finance Bt0.70 to Bt4.90.

KUALA LUMPUR closed at a nine-year low. The composite index lost 20.13 to 452.24, the lowest level since July 7 1989. Short selling weighed heavily on share prices.

Magnum Corporation was the most active issue of the day, falling 5 cents to M$1.50 while RHB Capital lost 21 cents to M$1.64.

SINGAPORE ended sharply lower, briefly touching a year's low as banking and property shares plummeted. The Straits Times Industrials index fell 38.65 to 1,052.84 led by the finance sub-index, down 4.1 per cent, and the property sub-index, off 7 per cent.

United Overseas Bank lost 55 cents to S$5.05 while Overseas Union Bank down 38 cents to S$3.56.

MANILA fell for the fifth successive session. The composite index moved to a 4½-month low, losing 82.16 to 1,746.86 as the peso weakened in the foreign exchanges. Philippines Long Distance Telephone tumbled 9.6 per cent to 890 pesos following a steep decline for the group's ADRs in New York on Friday.

TAIWAN managed to sidestep the broad regional weakness, rising 166.72 to 7,283.83 on the weighted index as buyers sought heavyweight electronics and the Taiwanese dollar held steady. The electronics index jumped 3.5 per cent with Taiwan Semiconductor gaining T$4 to T$72.50.

COLOMBO crumbled to a 17-month low as heavy retail selling sent blue chips and plantation shares tumbling. The all-share index lost 33.4 to 606.4.

BOMBAY also buckled, under the strain of Asian woes, sending the BSE-30 index down 194.45 to an 18-month low of 3,152.96.

KARACHI fell sharply on the view that last Friday's national budget had failed to provide incentives to industry. The KSE-100 index lost 49.52 at 1,013.02.

Fallout hits São Paulo

SAO PAULO continued to suffer from US and Asia fallout. Market heavyweight Telebrás tumbled 2.3 per cent to R$119.70 and at midsession the Bovespa index was off 185 at 9,400.

MEXICO CITY also fell heavily in what dealers described as paper-thin volume. Financial leader Bancomer was actively traded, sliding 21 centavos to 3.83 pesos. At midsession, the IPC index was off 85.80 at 4,129.88.

● Buenos Aires, Bogota and Caracas were closed.

Johannesburg edges down

SOUTH AFRICA

Johannesburg moved lower in subdued volumes ahead of today's public holiday.

Rand weakness, worries about higher interest rates and the early upsets on Wall Street sent the all share index down 2.8 per cent to 6,720.4.

Financials fell steeply with the sector off 3.2 per cent as three more banks pushed up their prime lending rates. Golds shed 2.5 per cent.

Paris regains 4,000 in late rally

EUROPE

Along with most other European stock markets, **PARIS** tracked Wall Street off its early lows, clawing back above 4,000 on the CAC 40 index in the final hour of trading. The benchmark ended off 45.43 at 4,005.33.

This was 57 points above the worst of the session, but, in spite of the late bargain-hunting, CAC 40 turnover was thin at FFr8.9bn. Uncertainty in Asia and on Wall Street was said to have persuaded many dealers to swap their trading screens for World Cup television action.

THE DAY'S CHANGES

	% Change
Moscow	-7.3
Athens	-5.8
Istanbul	-5.8
Warsaw	-4.4
Helsinki	-3.0
Stockholm	-2.3
Madrid	-1.6
Amsterdam	-1.5
Milan	-1.5
Paris	-1.1
Zurich	-1.0
Frankfurt	-0.9

Schneider was a rare bright spot, adding FFr11.50 to FFr485 as the dollar firmed against the franc and a story of enhanced foreign earnings ran round the market. But for the most part it was a one-way bear trend.

Cap Gemini lost FFr49 or 5.2 per cent to FFr895 and LVMH continued to lose ground, shedding FFr26 to FFr1,155. In a dull banking sector, BNP lost FFr17.70 to FFr465.50 and Paribas FFr19 to FFr586.

FRANKFURT recovered from its weakest levels in late electronic trade and the Xetra Dax index finished 50.10 lower at 5,581.24, up from a low of 5,511.27.

BMW preference shares fell DM105 to DM1,150 as shareholders began exercising their subscription rights to the group's rights issue. The ordinary shares were marked DM59 lower to DM1,811.

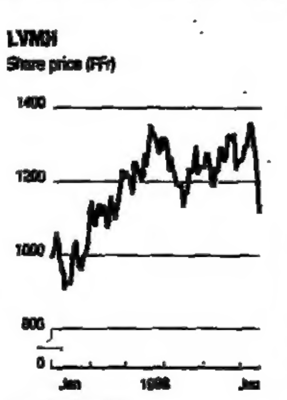
Against the trend, Karstadt picked up DM16 to DM949 on rumours that the retail group Schickendanz wanted to increase its stake.

AMSTERDAM moved lower for the fifth session running. Dealers said the weakness across Asia and on Wall Street had sparked significant downside pressure from the options market where the June 1,130 put was the day's most active trade. The AEX index ended off 17.73 at 1,154.67.

The tech sector continued to suffer in the wake of Friday's unexpected profits warning from ASM Lithography. Baan slid Fl 4.90 to Fl 78.20 on the back of negative US media comment.

ASM, which crashed 22.5 per cent on Friday, fell a further 90 cents to Fl 57.90 after rebounding from a session low of Fl 54.20, while parent company Philips came off Fl 3.10 at Fl 169.50.

Financials ran up some of the day's heaviest losses. Fortis Amev retreated Fl 3.60 to Fl 110.50 and ING lost Fl 4.40 to Fl 129.70.



ZURICH's machinery companies encountered heavy selling by investors worried about the sector's exposure to Asia, although some analysts said the selling had been overdone.

The machinery sector lost 3.5 per cent, contributing to a fall in the SMI index of 74.7 to 7,342.7.

ABB, under pressure last week as a result of its Asian exposure, dropped another SFr34 to SFr2,235.

MILAN recovered from its lowest levels of the day but the real-time Mibtel index still finished 347 lower at 22,790.

Telecom Italia, in the throes of a boardroom clash, lost L150 at L12,850 after the resignation of the general manager of operations, Vito Gamberale, only three months into the job.

MADRID bounced gently off its session low to leave the general index off 13.92 at 838.57. Energy group Iberdrola bucked the broad downswing, adding 1.5 per cent to Pta2,395, and construction leader Dragados was also a firm feature, gaining 2.5 per cent to Pta4,735.

MOSCOW dropped to its lowest level since October 1996 and traders saw no indication of a quick change to the downward trend. The RTS index lost 13.02 to 165.11, led down by bellwether national electricity group UES, which fell 14 per cent to 14 cents.

ATHENS was hard hit as sentiment was badly damaged by falling foreign markets and concern grew about delays in the introduction of government reforms. The general index finished 141.75 lower at 2,286.49, with several issues quoted sell-only at the daily volatility limit of 8 per cent.

Banks and industrials gave up 6.8 per cent and 4.9 per cent of their value.

WARSAW fell prey to the Asian storm although analysts suggested that much of the day's tumble was in fact a reaction to world markets' falls on Thursday and Friday, when the Warsaw bourse was closed for the Corpus Christi holiday. The Wig index lost 888.98 to 14,854.7.

ISTANBUL was hit by the turmoil in emerging and Asian markets and the IMKB National-100 index lost 234.20 to 3,793.48, up from a low of 3,757.75.

Written and edited by Michael Morgan, Jeffrey Brown, Emiko Terazono and Paul Gregan

EMERGING MARKET FOCUS

Uneasy investors desert Singapore

Singapore may not be as badly off as many of its neighbours, but that no longer seems to be enough to convince investors to keep their money in the city state's stock market.

Economic growth is slowing, bottom-line earnings estimates are shrinking and investors are nervous. Over the past six trading sessions, the benchmark Straits Times Industrials index has fallen more than 10 per cent.

Although Richard Hu, the Singapore finance minister, recently told Parliament the country will not go into recession this year, he made it clear that the outlook has its fair share of problems.

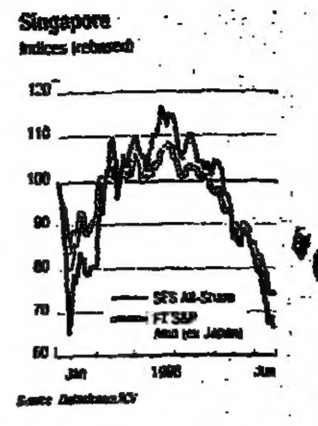
The uncertainty has created a significant consumer squeeze. March retail sales declined for the seventh straight month for an annual 18 per cent decline. Motor vehicle sales alone fell 50 per cent.

Residential property prices fell 9.3 per cent in the first quarter, while prices of commercial and industrial properties fell 3.9 per cent and 7 per cent.

Although Singapore's economy has a reputation for strong management, this is a tiny market of only 3m people heavily dependent on surrounding countries for growth. As other east Asian economies sink ever more deeply into crisis, Singaporeans realise it could take years for their own economic growth to recover.

The government is projecting growth of between 2.5 per cent and 4.5 per cent this year, down from 7.8 per cent last year. The economy grew 5.6 per cent in the first quarter. And the authorities are poised to introduce off-budget measures if second-quarter growth points to a rapid economic slowdown.

"Because we are a small economy and very dependent on external demand, when a slowdown occurs, it will happen very fast," Tony Tan, deputy prime minister, said recently. "We do not have the resilience that a large economy such as Japan has. That is why we have to respond very fast."



In the first quarter, the government's tax revenue fell 20 per cent over the previous year, with almost all the collections, from income to motor vehicle to service taxes, dropping.

Economists say the rise in real interest rates to a 12-year high is compounding the problem. Shops are hanging out jumbo signs offering discounts of up to 80 per cent to entice Singaporeans in to buy. And even large corporations are offering promotions.

Some economists have long maintained that, even though the domestic economy will slow, exports will sustain overall growth. But the April merchandise trade statistics revealed collapsing imports and slowing exports. Total export growth eased to 7.7 per cent in December from a recent peak of 9.9 per cent.

Capitalised at about $100bn, the Singapore stock market is the third largest among Asia's emerging markets after Hong Kong and Taiwan. Its benchmark index is now almost 60 per cent short of the all-time high reached in February 1996.

Sheila McNulty